

## Maritess D. Reyes

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**From:** PetroEnergy Corporate Affairs  
**Sent:** Wednesday, 15 May 2024 12:01 pm  
**To:** Maritess D. Reyes; Arlan P. Profeta; Shirley E. Belarmino; Louie Mark R. Limcolioc  
**Subject:** FW: CGFD\_PETROENERGY RESOURCES CORPORATION\_SEC 17 Q First Quarter 2024\_15May2024

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Sent: Wednesday, May 15, 2024 12:00:55 PM (UTC+08:00) Kuala Lumpur, Singapore  
To: PetroEnergy Corporate Affairs  
Subject: Re: CGFD\_PETROENERGY RESOURCES CORPORATION\_SEC 17 Q First Quarter 2024\_15May2024

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3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
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5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors  
(Appointment)

6. MRPT

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3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC\_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

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# COVER SHEET

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SEC Registration Number

P E T R O E N E R G Y R E S O U R C E S C O R P O R A T I O N

A N D S U B S I D I A R I E S

(Company's Full Name)

7 T H F L O O R J M T B U I L D I N G

A D B A V E N U E O R T I G A S C E N T E R

P A S I G C I T Y

(Business Address: No. Street City/Town/Province)

**Maria Cecilia L. Diaz De Rivera**

(Contact Person)

**8637-2917**

(Company Telephone Number)

1 2 3 1

Month Day  
(Fiscal Year)

First Quarter

1 7 - Q

0 7 1 8

Month Day  
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

**1,988**

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

QUARTERLY REPORT PURSUANT TO SECTION 11  
OF THE SECURITIES REGULATION CODE (SRC)  
AND SRC RULE 17(a)-1(b) (2) THEREUNDER

1. 31 March 2024  
For the quarterly period ended

2. SEC Identification Number ASO94-08880      3. BIR Tax Identification No. 004-471-419-000

4. PetroEnergy Resources Corporation  
Exact name of registrant as specified in its charter

5. Manila, Philippines      6. (SEC Use Only)   
Province, country or other jurisdiction      Industry Classification Code:  
of incorporation

7. 7<sup>th</sup> Floor JMT Condominium, ADB Avenue, Pasig City      1605  
Address of principal office      Postal Code

8. (632) 8637-2917  
Registrant's telephone number, including area code

9. Not Applicable  
Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock<br>Outstanding |
|---------------------|---|
|---------------------|---|

|                                   |             |
|-----------------------------------|-------------|
| Common (par value of P1.00/share) | 568,711,842 |
|-----------------------------------|-------------|

Amount of Debt Outstanding = ₱9,027,871,450

11. Are any or all of the securities listed on the Philippine Stock Exchange?  
All issued and outstanding common shares are listed in the Philippine Stock Exchange.

12. Indicate by check mark whether the registrant:

a. has filed all reports required to be filed by Section 11 of the Securities Regulation Code(SRC) and SRC Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes [ / ]

b. has been subject to such filing requirements for the past 90 days

Yes [ / ]

## TABLE OF CONTENTS

|  | Page no. |
|--|----------|
| <b>PART I FINANCIAL INFORMATION</b>  |          |
| <b>Item 1. Financial Statements</b>  |          |
| 1. Consolidated Statements of Financial Position<br>As of March 31, 2024, March 31, 2023 and December 31, 2023 | 4        |
| 2. Consolidated Statements of Income<br>For the quarter ended March 31, 2024, March 31, 2023                   | 5        |
| 3. Consolidated Statements of Comprehensive Income<br>For the quarter ended March 31, 2024, March 31, 2023     | 6        |
| 4. Consolidated Statement of Changes in Equity<br>As of March 31, 2024, March 31, 2023 and December 31, 2023   | 7        |
| 5. Consolidated Statement of Cash flows<br>As of March 31, 2024, March 31, 2023 and December 31, 2023          | 8        |
| 6. Notes to Unaudited Financial Statements   | 9 - 70   |
| <b>Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations</b>             |          |
| 1. Financial Position – March 31, 2024 and December 31, 2023   | 71 - 73  |
| 2. Results of Operations – For the quarter ended Mar 31, 2024 and Mar 31, 2023                                 | 74 - 76  |
| 3. Financial Position - March 31, 2024 and March 31, 2023  | 77 - 79  |
| 4. Key performance indicators  | 80       |
| 5. Discussion of Indicators of the Company’s Level of Performance  | 80       |
| 6. Disclosure in view of the current global financial crisis.  | 81       |
| 7. Operations review and business outlook  | 82 - 85  |
| <b>PART II OTHER INFORMATION</b>   | 86       |
| <b>OTHER SUPPLEMENTARY SCHEDULES</b>   |          |
| Supplementary Information and disclosures required on SRC Rule 68  | 87 - 88  |
| Schedule of Financial Soundness Indicators   | 89       |
| Map of relationships of companies within the group   | 90       |
| Reconciliation of Retained Earnings Available for Dividend Declaration   | 91 - 92  |
| <b>SIGNATURES</b>  | 93       |

**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(Amounts in Philippine Peso)**

|   | Unaudited<br>31-Mar-24 | Unaudited<br>31-Mar-23 | Audited<br>31-Dec-23   |
|---|------------------------|------------------------|------------------------|
| <b>ASSETS</b>   |                        |                        |                        |
| <b>Current Assets</b>   |                        |                        |                        |
| Cash and cash equivalents (Note 6)                                      | ₱3,944,592,810         | ₱1,687,055,733         | ₱2,334,304,367         |
| Short - term investments (Note 6)                                       | -                      | 2,575,286,425          | 1,975,286,425          |
| Restricted cash (Note 7)  | 374,251,690            | 335,589,896            | 293,744,077            |
| Receivables (Note 8)  | 722,951,569            | 459,565,482            | 730,521,441            |
| Financial assets at fair value through profit and loss (FVTPL) (Note 9) | 7,059,247              | 7,145,746              | 6,958,720              |
| Contract Assets - current portion (Note 10)                             | 93,866,114             | 17,734,939             | 127,134,899            |
| Crude oil inventory   | 24,216,179             | 76,061,522             | 13,676,052             |
| Other current assets (Note 11)  | 280,707,857            | 209,175,979            | 232,238,237            |
| <b>Total Current Assets</b>   | <b>5,447,645,466</b>   | <b>5,367,615,722</b>   | <b>5,713,864,218</b>   |
| <b>Noncurrent Assets</b>  |                        |                        |                        |
| Property and equipment - net (Notes 5 and 12)                           | 12,372,701,414         | 8,158,422,721          | 12,208,332,826         |
| Deferred oil exploration costs (Note 13)                                | 410,338,944            | 355,951,118            | 386,796,965            |
| Contract assets - net of current portion (Note 10)                      | 662,603,813            | 293,437,957            | 609,572,499            |
| Investment in joint venture and business combination (Note 14)          | 2,882,000              | 1,934,317,304          | 2,882,000              |
| Right-of-use of assets (Note 15)  | 316,999,128            | 340,580,472            | 322,894,463            |
| Deferred tax assets-net   | 18,691,787             | 11,113,003             | 18,349,138             |
| Intangible assets and goodwill (Note 16)                                | 1,166,357,242          | -                      | 1,172,413,367          |
| Investment properties - net (Note 17)                                   | 1,611,533              | 1,611,533              | 1,611,533              |
| Other noncurrent assets (Note 18)                                       | 1,618,831,703          | 499,779,985            | 1,445,572,602          |
| <b>Total Noncurrent Assets</b>  | <b>16,571,017,564</b>  | <b>11,595,214,093</b>  | <b>16,168,425,393</b>  |
| <b>TOTAL ASSETS</b>   | <b>22,018,663,030</b>  | <b>16,962,829,815</b>  | <b>21,882,289,611</b>  |
| <b>LIABILITIES AND EQUITY</b>   |                        |                        |                        |
| <b>Current Liabilities</b>  |                        |                        |                        |
| Accounts payable and accrued expenses (Note 19)                         | 687,662,241            | 504,024,564            | 798,052,764            |
| Loans payable - current (Note 20)                                       | 1,691,082,703          | 791,730,980            | 3,699,707,830          |
| Lease liabilities - current (Note 15)                                   | 61,319,984             | 29,506,086             | 54,756,559             |
| Income tax payable  | 44,075,621             | 19,086,864             | 14,329,114             |
| <b>Total Current Liabilities</b>  | <b>2,484,140,549</b>   | <b>1,344,348,494</b>   | <b>4,566,846,267</b>   |
| <b>Noncurrent Liabilities</b>   |                        |                        |                        |
| Loans payable - net of current portion (Note 20)                        | 6,071,153,898          | 2,531,709,685          | 4,178,456,690          |
| Lease liabilities - net of current portion (Note 15)                    | 269,881,742            | 309,753,594            | 269,881,742            |
| Asset retirement obligation (Note 21)                                   | 171,349,371            | 66,770,378             | 167,532,915            |
| Other noncurrent liability  | 31,345,890             | 9,548,486              | 30,603,592             |
| <b>Total Noncurrent Liabilities</b>                                     | <b>6,543,730,901</b>   | <b>2,917,782,143</b>   | <b>4,646,474,939</b>   |
| <b>Total Liabilities</b>  | <b>9,027,871,450</b>   | <b>4,262,130,637</b>   | <b>9,213,321,206</b>   |
| <b>Equity</b>   |                        |                        |                        |
| Attributable to equity holders of the Parent Company                    |                        |                        |                        |
| Capital stock (Note 22)   | 568,711,842            | 568,711,842            | 568,711,842            |
| Additional paid- in capital (Note 22)                                   | 2,156,679,049          | 2,156,679,049          | 2,156,679,049          |
| Retained earnings   | 3,855,352,878          | 3,355,224,738          | 3,669,829,291          |
| Equity reserve (Note 22)  | 1,334,950,575          | 1,177,074,157          | 1,334,950,575          |
| Remeasurement loss on defined benefit obligation                        | (12,374,372)           | 4,104,237              | (12,472,150)           |
| Share in other comprehensive income of a Joint Venture                  | -                      | (78,815)               | -                      |
| Cumulative translation adjustment                                       | 114,499,681            | 114,499,681            | 114,499,681            |
|   | 8,017,819,653          | 7,376,214,889          | 7,832,198,288          |
| Noncontrolling interest   | 4,972,971,927          | 5,324,484,289          | 4,836,770,117          |
| <b>Total Equity</b>   | <b>12,990,791,580</b>  | <b>12,700,699,178</b>  | <b>12,668,968,405</b>  |
| <b>Total Liabilities and Equity</b>                                     | <b>₱22,018,663,030</b> | <b>₱16,962,829,815</b> | <b>₱21,882,289,611</b> |

**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Philippine Peso)

|  | Unaudited                  |                     |
|--|----------------------------|---------------------|
|  | For the 1st Quarter ending |                     |
|  | 31-Mar-24                  | 31-Mar-23           |
| <b>REVENUES</b>  |                            |                     |
| Electricity sales (Note 4)   | ₱785,852,912               | ₱501,633,224        |
| Oil revenues (Note 4)  | 139,797,833                | 90,756,711          |
| Other revenues   | 19,446,299                 | 15,185,878          |
|  | 945,097,044                | 607,575,813         |
| <b>COST OF SALES</b>   |                            |                     |
| Cost of sales - Electricity (Notes 4 and 22 )  | 308,345,798                | 188,802,590         |
| Cost of sales - Oil Production (Note 4)  | 107,081,132                | 102,995,554         |
| Change in crude oil inventory (Note 4)   | (10,540,127)               | (61,624,330)        |
| Cost of sales - Others   | 19,192,621                 | 14,912,083          |
|  | 424,079,424                | 245,085,897         |
| <b>GROSS INCOME</b>  | 521,017,620                | 362,489,916         |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>   | 84,088,535                 | 42,211,108          |
| <b>OTHER INCOME (CHARGES)</b>  |                            |                     |
| Interest expense (Notes 15 and 20)   | (133,118,268)              | (68,364,221)        |
| Share in net income of an Associate (Note 14)  | -                          | 52,894,321          |
| Interest income (Notes 4, 6, 7 and 8)  | 46,370,447                 | 50,189,062          |
| Net unrealized foreign exchange gain (loss)  | 1,022,948                  | (3,348,669)         |
| Accretion expense (Note 21)  | (3,199,041)                | (1,799,157)         |
| Net unrealized gain (loss) on fair value changes on financial assets at FVPL                                     | 100,527                    | (394,344)           |
| Miscellaneous income (Note 4)  | 4,297,217                  | 3,741,940           |
|  | (84,526,170)               | 32,918,932          |
| <b>INCOME BEFORE INCOME TAX</b>  | 352,402,915                | 353,197,740         |
| <b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>   | 30,677,519                 | 13,528,519          |
| <b>NET INCOME</b>  | <b>₱321,725,396</b>        | <b>₱339,669,221</b> |
| <b>NET INCOME ATTRIBUTABLE TO:</b>   |                            |                     |
| Equity Holders of the Parent Company   | 185,523,586                | 172,611,440         |
| Noncontrolling interest  | 136,201,810                | 167,057,781         |
| <b>NET INCOME</b>  | <b>₱321,725,396</b>        | <b>₱339,669,221</b> |
| <b>EARNINGS PER SHARE FOR NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY- BASIC AND DILUTED</b> |                            |                     |
|  | <b>0.3262</b>              | 0.3035              |

**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Amounts in Philippine Peso)**

|   | <b>31-Mar-24</b>    | 31-Mar-23    |
|---|---------------------|--------------|
| <b>NET INCOME</b>   | <b>₱321,725,396</b> | ₱339,669,221 |
| <b>OTHER COMPREHENSIVE INCOME</b>                                   |                     |              |
| Item to be reclassified to profit or loss in subsequent periods     |                     |              |
| Movements in cumulative translation adjustment - net of tax         | -                   | -            |
| Item not to be reclassified to profit or loss in subsequent periods |                     |              |
| Remeasurement gains on net accrued retirement liability - net       | 97,778              | -            |
| Share in other comprehensive income of a joint venture              | -                   | -            |
| <b>TOTAL OTHER COMPREHENSIVE INCOME</b>                             | <b>97,778</b>       | -            |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                   | <b>321,823,174</b>  | 339,669,221  |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTATBLE TO:</b>          |                     |              |
| <b>Equity Holders of the Parent Company</b>                         | <b>185,621,364</b>  | 172,611,440  |
| <b>Noncontrolling interest - IS</b>                                 | <b>136,201,810</b>  | 167,057,781  |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                   | <b>₱321,823,174</b> | 339,669,221  |



**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Philippine Peso)

|  | Unaudited             | Unaudited             | Audited               |
|--|-----------------------|-----------------------|-----------------------|
|  | 31-Mar-24             | 31-Mar-23             | 31-Dec-23             |
| <b>CAPITAL STOCK</b>                                       |                       |                       |                       |
| Authorized capital   | 700,000,000           |                       |                       |
| Issued and outstanding                                     |                       |                       |                       |
| Balance beginning of year                                  | 568,711,842           | 568,711,842           | 568,711,842           |
| Total issued and outstanding                               | 568,711,842           | 568,711,842           | 568,711,842           |
| <b>ADDITIONAL PAID-IN CAPITAL</b>                          |                       |                       |                       |
| Balance beginning of year                                  | 2,156,679,049         | 2,156,679,049         | 2,156,679,049         |
| Additions during the period                                | -                     | -                     | -                     |
|  | <b>2,156,679,049</b>  | <b>2,156,679,049</b>  | <b>2,156,679,049</b>  |
| <b>UNAPPROPRIATED RETAINED EARNINGS</b>                    |                       |                       |                       |
| Balance at beginning of year                               | 3,669,829,291         | 3,182,613,298         | 3,182,613,298         |
| Dividend declaration                                       | -                     | -                     | (28,435,592)          |
| Net Income   | 185,523,587           | 172,611,440           | 515,651,585           |
|  | <b>3,855,352,878</b>  | <b>3,355,224,738</b>  | <b>3,669,829,291</b>  |
| <b>REMEASUREMENT OF NET ACCRUED RETIREMENT LIABILITY</b>   |                       |                       |                       |
| Balance at beginning of year                               | (12,472,150)          | 4,104,237             | 4,104,237             |
| Remeasurement gain (loss) on accrued retirement liability  | 97,778                | -                     | (16,576,387)          |
|  | <b>(12,374,372)</b>   | <b>4,104,237</b>      | <b>(12,472,150)</b>   |
| <b>SHARE IN OCI OF A JOINT VENTURE</b>                     |                       |                       |                       |
| Balance at beginning of year                               | -                     | (78,815)              | (78,815)              |
| Share in other comprehensive income of a Joint Venture     | -                     | -                     | 78,815                |
|  | -                     | <b>(78,815)</b>       | -                     |
| <b>CUMULATIVE TRANSLATION ADJUSTMENT</b>                   |                       |                       |                       |
| Balance at beginning of year                               | 114,499,681           | 114,499,681           | 114,499,681           |
| Movement of cumulative translation adjustment              | -                     | -                     | -                     |
|  | <b>114,499,681</b>    | <b>114,499,681</b>    | <b>114,499,681</b>    |
| <b>PARENT'S OTHER EQUITY RESERVES</b>                      |                       |                       |                       |
| Balance at beginning of year                               | 1,334,950,575         | 736,716,986           | 736,716,986           |
| Change in ownership without loss of control                | -                     | 440,357,171           | 598,233,589           |
|  | <b>1,334,950,575</b>  | <b>1,177,074,157</b>  | <b>1,334,950,575</b>  |
| <b>TOTAL EQUITY ATTRIBUTED TO EQUITY HOLDERS OF PARENT</b> |                       |                       |                       |
|  | <b>8,017,819,653</b>  | <b>7,376,214,889</b>  | <b>7,832,198,288</b>  |
| <b>NONCONTROLLING INTEREST</b>                             |                       |                       |                       |
| Balance at beginning of year                               | 4,836,770,117         | 3,963,021,100         | 3,963,021,100         |
| Net income   | 136,201,810           | 167,057,781           | 428,528,883           |
| Increase in non-controlling interests - stock issuances    | -                     | 1,634,762,579         | 1,839,175,215         |
| Change in ownership of non-controlling interest            | -                     | (440,357,171)         | 53,291,352            |
| Business combination                                       | -                     | -                     | 1,196,723,942         |
| Acquisition of NCI (in PSC and PGEC, PWEL)                 | -                     | -                     | (2,616,678,756)       |
| Remeasurement loss on defined benefit obligation           | -                     | -                     | (2,291,619)           |
| Cash dividends   | -                     | -                     | (25,000,000)          |
|  | <b>4,972,971,927</b>  | <b>5,324,484,289</b>  | <b>4,836,770,117</b>  |
| <b>DEPOSIT FOR FUTURE STOCK SUBSCRIPTION</b>               |                       |                       |                       |
| Balance at beginning of year                               | -                     | 1,651,055,000         | 1,651,055,000         |
| Conversion of Deposit to Capital Stock and APIC            | -                     | (1,651,055,000)       | (1,651,055,000)       |
|  | -                     | -                     | -                     |
| <b>TOTAL EQUITY</b>  | <b>12,990,791,580</b> | <b>12,700,699,178</b> | <b>12,668,968,405</b> |

**PETROENERGY RESOURCES CORPORATION**

**UNAUDITED CONSOLIDATED STATEMENTS OF CASHFLOWS**

(Amounts in Philippine Peso)

|   | Unaudited            | Unaudited            | Audited              |
|---|----------------------|----------------------|----------------------|
|   | 31-Mar-24            | 31-Mar-23            | 31-Dec-23            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                      |                      |                      |
| Income before income tax  | 352,402,915          | 353,197,740          | 1,003,078,760        |
| Adjustments for:  |                      |                      |                      |
| Interest expense  | 133,118,268          | 68,364,221           | 408,735,771          |
| Depletion, depreciation and amortization  | 197,240,137          | 147,576,071          | 730,880,693          |
| Impairment loss (reversal)  | -                    | -                    | 77,167,996           |
| Loss on remeasurement of previously held interest   |                      |                      | 45,894,709           |
| Share in net income (loss) of joint venture   | -                    | (52,894,321)         | (50,738,697)         |
| Net unrealized foreign exchange loss (gain)   | (1,022,948)          | 3,348,669            | 3,103,807            |
| Provision for probable losses   | -                    | -                    | 12,011,345           |
| Accretion expense   | 3,199,041            | 1,799,157            | 6,944,814            |
| Dividend income   | -                    | (12,300)             | (26,969)             |
| Net gain on sale of equipment and investment  | -                    | -                    | (1,671,563)          |
| Net loss (gain) on fair value changes on financial assets<br>at fair value through profit or loss | (100,527)            | 394,344              | 530,445              |
| Interest income   | (46,370,447)         | (50,189,062)         | (225,839,685)        |
| Movement in accrued retirement liability  | 97,778               | -                    | (2,129,878)          |
| Operating income before working capital changes   | 638,564,217          | 471,584,519          | 2,007,941,548        |
| Decrease (increase) in:   |                      |                      |                      |
| Short-term investments  | 2,016,708,112        | -                    | -                    |
| Receivables   | (108,980,902)        | (37,266,684)         | (154,034,306)        |
| Contract Assets   | (19,762,529)         | (14,814,406)         | (60,510,461)         |
| Other current assets  | (45,454,463)         | (1,546,147,928)      | 69,546,872           |
| Increase in Accounts payable and accrued expenses   | (120,298,349)        | (39,154,305)         | 157,724,533          |
| Cash generated from (used in) operations  | 2,360,776,086        | (1,165,798,804)      | 2,020,668,186        |
| Interest received   | 117,537,116          | 29,893,851           | 152,770,663          |
| Income taxes paid, including movement in CWT  | (1,273,661)          | (621,883)            | (78,878,062)         |
| Net cash provided by (used in) operating activities   | 2,477,039,541        | (1,136,526,836)      | 2,094,560,787        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                      |                      |                      |
| Payments for:   |                      |                      |                      |
| Acquisitions of property, plant and equipment   | (344,415,162)        | (99,966,338)         | (1,843,551,556)      |
| Deferred oil exploration costs  | (23,541,979)         | (44,068,107)         | (75,217,430)         |
| Deferred development costs  | (94,003,319)         | (45,544,265)         | (427,579,398)        |
| Acquisitions of intangibles   | -                    | -                    | (3,899,131)          |
| Advances to contractors   | -                    | -                    | (33,521,873)         |
| Acquisition through business combination – net of cash acquired                                   | -                    | -                    | (210,446,391)        |
| Decrease in short-term investments  | -                    | -                    | 740,401,839          |
| Proceeds from sale of property, plant and equipment   | -                    | -                    | 82,013               |
| Dividends received  | -                    | 12,300               | 26,969               |
| (Increase)/decrease in Other noncurrent assets  | (174,598,364)        | (71,036,648)         | (46,426,555)         |
| Net cash used in investing activities   | (636,558,824)        | (260,603,058)        | (1,900,131,513)      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                      |                      |                      |
| Proceeds from:  |                      |                      |                      |
| Availments of loans   | 2,012,500,000        | 129,880,000          | 3,946,036,089        |
| Issuance of stocks to NCI   | -                    | 1,634,762,579        | 204,412,637          |
| Payments of:  |                      |                      |                      |
| Loans   | (2,130,986,646)      | (285,400,000)        | (1,272,135,055)      |
| Interest  | (113,177,220)        | (67,934,291)         | (337,024,238)        |
| Acquisition of NCI  | -                    | -                    | (1,965,153,794)      |
| Dividends to Non-Controlling Interest   | -                    | -                    | (25,000,000)         |
| Lease liabilities   | (911,070)            | (911,070)            | (38,214,856)         |
| Equity issuance cost  | -                    | -                    | (16,292,421)         |
| Dividends by the Parent Company   | -                    | -                    | (28,435,592)         |
| Increase in other noncurrent liabilities  | 742,298              | 1,164,603            | -                    |
| Net cash provided by financing activities   | (231,832,638)        | 1,411,561,821        | 468,192,770          |
| <b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES<br/>ON CASH AND CASH EQUIVALENTS</b>                   |                      |                      |                      |
|   | 1,640,364            | (4,607,778)          | (5,549,261)          |
| <b>NET INCREASE (DECREASE) IN CASH AND<br/>CASH EQUIVALENTS</b>                                   |                      |                      |                      |
|   | 1,610,288,443        | 9,824,149            | 657,072,783          |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING</b>   | <b>2,334,304,367</b> | <b>1,677,231,584</b> | <b>1,677,231,584</b> |
| <b>CASH AND CASH EQUIVALENTS, END</b>   | <b>3,944,592,810</b> | <b>1,687,055,733</b> | <b>2,334,304,367</b> |

## **PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Corporate Information**

a. Organization

PetroEnergy Resources Corporation (“PERC” or “PetroEnergy” or the “Parent Company”) is a publicly-listed domestic corporation. Its registered office and principal place of business is 7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City.

PERC was organized on September 29, 1994 as Petrotech Consultants, Inc. to provide specialized technical services to its then parent company, Petrofields Corporation, and to companies exploring for oil in the Philippines.

In 1997, PERC simultaneously adopted its present name and changed its primary purpose to oil exploration and development and mining activities. Subsequently in 1999, PERC assumed Petrofields’ oil exploration contracts in the Philippines and the Production Sharing Contract covering the Etame discovery block in Gabon, West Africa.

On August 11, 2004, PERC’s shares of stock were listed at the Philippine Stock Exchange (PSE) by way of introduction.

In 2009, following the enactment of Republic Act No. 9513, otherwise known as the “Renewable Energy Act of 2008” (RE Law), PERC amended its articles of incorporation to include among its purposes the business of generating power from renewable sources such as, but not limited to, biomass, hydro, solar, wind, geothermal, ocean and such other renewable sources of power.

On March 31, 2010, PERC incorporated PetroGreen Energy Corporation (“PetroGreen” or “PGEC”), its 75%-owned subsidiary (77%-owned in 2022), to act as its renewable energy arm and holding company. PGEC ventured into renewable energy development and power generation through its subsidiaries and affiliate: (a) Maibarara Geothermal, Inc. (“MGI”, 65%-owned) - owner and Renewable Energy (RE) developer of the 20 MW Maibarara Geothermal Power Project (MGPP-1) in Santo Tomas, Batangas and its expansion, the 12 MW MGPP-2; (b) PetroSolar Corporation (“PetroSolar or PSC”, 56%-owned) – owner and RE developer of the 50 MW<sub>DC</sub> Tarlac Solar Power Project (TSPP-1) in Tarlac City and its 20 MW<sub>DC</sub> expansion (TSPP-2); and (c) PetroWind Energy Inc. (“PetroWind or PWEI”, 40%-owned subsidiary in 2023 (joint venture in 2022) - owner and developer of the 36 MW Nabas Wind Power Project (NWPP-1) and its 13.2 MW expansion (NWPP-2) in Nabas and Malay, Aklan.

In 2023, PetroEnergy made direct acquisition of shares in PetroGreen, PetroWind and PetroSolar. In 2023 also, PGEC incorporated new RE entities which are disclosed in detail in Note 1c and 1d. The subsidiaries of PetroEnergy and the respective percentages of ownership are disclosed in Note 4.

b. Nature of Operations

The Group’s two (2) main energy businesses are: (1) upstream oil exploration and development, and (2) power generation from renewable energy resources including, (a) geothermal, (b) solar, and (c) wind.

Upstream Oil Exploration and Development

Petroleum production is on-going in the Etame (Gabon) concession, while the other petroleum concessions in the Philippines are still in the advanced exploration stages or pre-development stages.

Renewable Energy

Geothermal Energy

MGI's geothermal projects are the 20 MW MGPP-1 in Sto. Tomas, Batangas that started commercial operations on February 8, 2014 and its expansion, the 12 MW MGPP-2 that started commercial operations on April 30, 2018.

Solar Energy

PetroSolar's solar power projects are the 50 MW<sub>DC</sub> TSPP-1 in Tarlac City, Tarlac that started commercial operations on February 10, 2016 and its 20 MW<sub>DC</sub> expansion (TSPP-2) which has been commissioned and tested on April 22, 2019.

Wind Energy

PetroWind's wind power projects are the NWPP located in Nabas and Malay, Aklan. The 36 MW Phase 1 of the project (NWPP-1) commenced commercial operations on June 10, 2015. Whereas, an expansion project, the 13.2 MW Wind Power Project (NWPP-2), is underway. At least three turbines are targeted to commence operations by April 2024.

c. Acquisition of Shares of Stock

On April 24, 2023, PERC and EEIPC entered into a SPA, where PERC agreed to purchase all of EEIPC's equity interests in PGEC (7.5%), PetroSolar (44%), and PWEI (20%) on different payment schedules. PERC executed the respective Deeds of Absolute Sale and fully paid EEIPC the purchase price for the latter's shares in PWEI on May 10, 2023. The full payments for the EEIPC shares in PSC and in PGEC were made on August 1, 2023 and August 31, 2023, respectively.

d. Pipeline RE Projects

In 2022, the Company made investments in three newly incorporated special purpose vehicles (SPVs) namely: BuhaWind Energy Northern Luzon Corporation, BuhaWind Energy Northern Mindoro Corporation and BuhaWind Energy East Panay Corporation. On March 5, 2021, PetroGreen and Copenhagen Energy A/S, a Danish company and affiliate of CE Pacific ApS (CE), executed the Heads of Terms as basis for the potential collaboration on the development of offshore wind (OSW) power projects in the Philippines and creation of SPVs that will develop the projects. Pursuant to the Heads of Terms, PGEC and CE entered into Joint Venture Agreements (JVAs) that will govern the obligations of the parties in the development of the Northern Luzon, Northern Mindoro and East Panay OSW projects, and incorporated the SPVs in November 2022. PGEC owns 40% equity in each of the OSW SPVs. The DOE approved the assignment of PGEC's DOE wind service contract to Buhawind Energy East Panay Corporation, Buhawind Energy Northern Mindoro Corporation and Buhawind Energy Northern Luzon Corporation on December 27, 2023, December 29, 2023 and February 21, 2024, respectively.

On August 31, 2023, the Securities and Exchange Commission (SEC) approved the incorporation of Rizal Green Energy Corporation( (RGEC), PGEC's 100%-owned subsidiary that shall hold shares in the RE companies that will develop the solar power projects in Bohol, Pangasinan, Isabela and Nueva Ecija. On September 13, 2023, the SEC approved the incorporation of Dagohoy Green Energy Corporation (DGEC), RGEC's 100% subsidiary that shall develop, own, and operate the Dagohoy Solar Power Project in Bohol. On February 28, 2024, the DOE approved the assignment

of PGEC's DOE operating contract to DGEC. On the other hand, on September 20, 2023, PGEC acquired 100% of BKS Green Energy Corp.'s shares of stock, a Filipino corporation that holds service contract rights over the Limbauan Solar Power Project in Isabel. On July 19, 2023, the DOE approved the assignment of V-Mars Solar Energy Corporation's DOE service contract to PGEC, allowing PGEC to develop the San Jose Solar Power Project in Nueva Ecija. On October 14, 2023, SEC approved the incorporation of San Jose Green Energy Corporation (SJGEC), also RGEC's 100% subsidiary to develop own and operate the San Jose project. On February 23, 2024, PGEC submitted the application for assignment of the DOE service contract to SJGEC.

e. Approval of Consolidated Financial Statements

The accompanying unaudited consolidated interim financial statements as of and for the period ended March 31, 2024 were approved and authorized for issue by the Board of Directors (BOD).

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## 2. Basis of Preparation

### Basis of Preparation

The accompanying consolidated financial statements have been prepared under the historical cost basis, except for financial assets carried at fair value through profit or loss (FVTPL) which are measured at fair value, and crude oil inventory which is valued at net realizable value (NRV).

The financial statements are presented in Philippine Peso (PHP or ₱), which is the Parent Company's functional currency. All amounts are rounded to the nearest PHP unless otherwise stated.

### Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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## 3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2023. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2023

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

*Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2023 on the Group's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

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**4. Summary of Significant Accounting Policies**

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at March 31, 2024, March 31, 2023 and December 31, 2023. The financial statements of the subsidiaries are prepared in the same reporting year as the Parent Company, using consistent accounting policies.

Below are the subsidiaries, which are all incorporated in the Philippines, with their respective percentage ownership as of March 31, 2024, March 31, 2023 and December 31, 2023:

|  | 31-Mar-2024 | 31-Mar-2023 | 31-Dec-2023 |
|--|-------------|-------------|-------------|
| <i>Direct interest:</i>                                    |             |             |             |
| PetroGreen*  | 75%         | 67.50%      | 75%         |
| PetroSolar**   | 44%         | -           | 44%         |
| PetroWind***   | 20%         | -           | 20%         |
| Navy Road Development Corporation (NRDC) – dormant company | 100%        | 100%        | 100%        |
| <i>Indirect interest:</i>                                  |             |             |             |
| Percentage share of PetroGreen in its subsidiaries:        |             |             |             |
| MGI  | 65%         | 65%         | 65%         |
| PetroSolar   | 56%         | 56%         | 56%         |
| PetroWind***   | 40%         | -           | 40%         |
| BKS****  | 100%        | -           | 100%        |
| RGEC*****  | 100%        | -           | 100%        |

Subsidiaries of RGEC:\*\*\*\*\*

|       |      |   |      |
|-------|------|---|------|
| DGEC  | 100% | - | 100% |
| SJGEC | 100% | - | 100% |
| BGEC  | 100% | - | 100% |

*\*Resulted from PERC's acquisition of PetroGreen's shares from EEIPC and new shares issued to Kyuden (Notes 1 and 21)*

*\*\*Arose from PERC's acquisition of PetroSolar's shares from EEIPC (Notes 1 and 21)*

*\*\*\* Arose from PERC's acquisition of PetroWind's shares from EEIPC which resulted in consolidation of PetroWind; effective interest of the Group is 50% thereafter (Notes 1 and 13)*

*\*\*\*\*Acquired subsidiary in 2023 (Note 1)*

*\*\*\*\*\*Newly incorporated subsidiaries in 2023 (Note 1)*

Subsidiaries are entities controlled by PERC. PERC controls an investee if and only if PERC has:

- a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- b) exposure, or rights, to variable returns from its involvement with the investee; and
- c) the ability to use its power over the investee the amount of the investor's returns.

When PERC has less than a majority of the voting or similar rights of an investee, PERC considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a) contractual arrangement with the other vote holders of the investee;
- b) rights arising from other contractual arrangements; and
- c) Group's voting rights and potential voting rights.

PERC re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidations of a subsidiary begins when PERC obtains control over the subsidiary and ceases when PERC loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date PERC gains control until the date PERC ceases to control the subsidiary.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments where necessary are made to ensure consistency with the policies adopted by the Group. All intra-group balances, transactions, profits and expenses and gains and losses are eliminated during consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests (NCI), the difference between any consideration paid and the relevant share acquired of the carrying value of the net asset of the subsidiary is recorded in equity. Gains or losses on disposals from NCI are also recorded in equity.

NCI are presented separately from the Parent Company's equity. The portion of profit or loss and net assets in subsidiaries not wholly owned are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity, and within equity in the consolidated statement of financial position under 'Non-controlling interests'.

Cash and Cash Equivalents

Cash includes cash on hand and in banks (demand deposits). Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the dates of acquisition and that are subject to an insignificant risk of

change in value.

#### Short-term Investments

This pertains to interest bearing time deposits with terms of more than 3 months but not more than one year.

#### Restricted Cash

Restricted cash is recognized when the Group reserves a portion of its cash for a specific purpose such as to pay loan interest charges and loan principal amortization, and that there are contractual restrictions directly related to the use of and access of the bank accounts. This includes cash held under escrow accounts. Restricted cash that are expected to be used for a period of no more than 12 months after the financial reporting period are classified as current assets, otherwise, these are classified as noncurrent assets.

#### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Financial assets – Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flow that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The Group has no financial asset classified as financial assets at FVOCI.

#### *Financial assets at amortized cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:



- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents, short-term investments, receivables, restricted cash, and refundable deposits.

#### *Financial assets at FVTPL*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the consolidated statement of profit or loss when the right of payment has been established.

The Group's financial assets at FVTPL includes marketable equity securities and investment in golf club shares.

#### *Impairment of financial assets*

The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking

into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Financial Liabilities – Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, financial liabilities at amortized cost (loans and borrowings) or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and accrued expenses, excluding statutory liabilities, loans payable and lease liabilities. The Group does not have financial liabilities at FVTPL.

*Subsequent measurement*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

Derecognition of Financial Assets and Financial Liabilities

*Financial assets*

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Crude Oil Inventory

Crude oil inventory is stated at NRV at the time of production. NRV is the estimated selling price less cost to sell. The estimated selling price is the market values of crude oil inventory at the time of production.

Other Current Assets

This account comprises supplies inventory, refundable deposits, prepayments and advances to suppliers.

Supplies inventory refers to parts purchased for used in operations. Supplies inventory are stated at the lower of cost or NRV. Cost is determined using the specific identification method. NRV is the current replacement cost of supplies inventory.

Prepayments are expenses paid in advance and recorded as asset before these are utilized. The prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred. Prepayments that are expected to be realized for a period of no more than 12 months after the financial reporting period are classified as current assets, otherwise, these are classified as noncurrent assets.

Advances to suppliers are reclassified to the proper asset or expense account and deducted from the supplier's billings as specified in the provisions of the contract.

#### Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depletion, depreciation and amortization and any accumulated impairment losses. Land is stated at cost less any accumulated impairment losses. The initial cost of the property, plant and equipment consists of its purchase price, including any import duties, taxes and any directly attributable costs of bringing the assets to its working condition and location for its intended use and abandonment costs.

Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to the consolidated statement of comprehensive income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Wells, platforms and other facilities related to oil operations are depleted using the units-of-production method computed based on estimates of proved reserves. The depletion base includes the exploration and development cost of the producing oilfields.

Land improvements consist of betterments, site preparation and site improvements that ready land for its intended use. These include excavation, non-infrastructure utility installation, driveways, sidewalks, parking lots, and fences.

Property, plant and equipment are depreciated and amortized using the straight-line method over the estimated useful lives of the assets as follows:

|  | <u>Number of Years</u> |
|--|------------------------|
| Power plant, FCRS and production wells | 25                     |
| Office condominium units               | 15                     |
| Land improvements                      | 5                      |
| Transportation equipment               | 4 to 5                 |
| Office improvements                    | 3                      |
| Office furniture and other equipment   | 2 to 3                 |

The useful lives and depletion, depreciation and amortization methods are reviewed periodically to ensure that the period and method of depletion, depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction in progress represents property, plant and equipment under construction and is stated at cost. This includes the cost of construction to include materials, labor, professional fees, borrowing costs and other directly attributable costs. Construction in progress is not depreciated until such time the construction is completed.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is credited or charged to current operations.

When the assets are retired or otherwise disposed of, the cost and the related accumulated depletion, depreciation and amortization and any accumulated impairment losses are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired

in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

IFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the reporting period in which the combination occurs because either the fair values to be assigned to the acquiree's identifiable assets or liabilities or the consideration of the combination can be determined only provisionally, the acquirer shall account for the business combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months from the acquisition date as follows: (i) the carrying amount of the identifiable assets or liabilities that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable assets or, liabilities being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

#### Deferred Oil Exploration Costs

PERC follows the full cost method of accounting for exploration costs determined on the basis of each SC area. Under this method, all exploration costs relating to each SC are tentatively deferred pending determination of whether the area contains oil reserves in commercial quantities.

Deferred oil and gas exploration costs are assessed at each reporting period for possible indications of impairment. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case or is considered as areas permanently abandoned, the costs are written off through the consolidated statement of comprehensive income. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

The exploration costs relating to the SC where oil in commercial quantities are discovered are subsequently reclassified to "Wells, platforms and other facilities" shown under "Property and equipment" account in the consolidated statements of financial position upon substantial completion of the development stage.

#### Deferred Development Costs – Geothermal included in Other Noncurrent Assets

All costs incurred in the geological and geophysical activities such as costs of topographical, geological and geophysical studies, rights of access to properties to conduct those studies, salaries and other expenses of geologists, geophysical crews, or others conducting those studies are charged to profit or loss in the year such costs are incurred.

If the results of initial geological and geophysical activities reveal the presence of geothermal resource that will require further exploration and drilling, subsequent exploration and drilling costs are accumulated and deferred under the "Other noncurrent assets" account in the consolidated statement of financial position.

These costs include the following:

- costs associated with the construction of temporary facilities;
- costs of drilling exploratory and exploratory type stratigraphic test wells, pending determination of whether the wells can produce proved reserves; and

- costs of local administration, finance, general and security services, surface facilities and other local costs in preparing for and supporting the drill activities, etc. incurred during the drilling of exploratory wells.

If tests conducted on the drilled exploratory wells reveal that these wells cannot produce proved reserves, the capitalized costs are charged to expense except when management decides to use the unproductive wells for recycling or waste disposal.

Once the project's technical feasibility and commercial viability to produce proved reserves are established, the exploration and evaluation assets shall be reclassified to "Property, plant and equipment" and depreciated accordingly.

#### Deferred Development Costs – Solar and Wind Power Projects included in Other Noncurrent Assets

These are costs incurred in the development of the RE projects. Costs are capitalized if the technological and economic feasibility is confirmed, usually when a project development has reached a defined milestone according to an established project management model. These costs include the following:

- costs incurred for the RE projects
- costs of administration, finance, general and security services and other costs attributed to the RE projects.

Deferred development costs of RE projects are recognized under "Other noncurrent assets" in the statement of financial position. Once the project's technical feasibility and commercial viability has been established, development costs shall be reclassified to "Property, plant and equipment" and depreciated accordingly.

#### Investment in a Joint Venture (JV)

A JV is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investment in a JV is accounted for under the equity method of accounting.

Under the equity method, the investment in a JV is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the JV since the acquisition date.

The consolidated statement of comprehensive income reflects the Group's share of the financial performance of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the JV, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses from transactions between the Group and the JV are eliminated to the extent of the interest of the JV.

The aggregate of the Group's share in profit or loss of a JV is shown under "Other income (charges)" in the consolidated statement of comprehensive income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the JV.

The financial statements of the JV are prepared in the same reporting period of the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method for the investment in a JV, the Group determines whether it is necessary to recognize an impairment loss on its investment in a JV. At each reporting date, the Group determines whether there is objective evidence that the investment in JV is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable

amount of the JV and its carrying value, then recognizes the loss in the consolidated statement of comprehensive income.

Upon loss of joint control over the JV, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of comprehensive income.

#### Contract Assets

A contract asset is recognized for the earned consideration for goods or services transferred to a customer before the customer pays or before payment is due. Contract assets are measured at the present value of future collections to be received over a period of time. Contract assets that are expected to be received within 12 months after the financial reporting period are classified as current assets, otherwise, these are classified as noncurrent assets.

#### Intangible Assets (Other than Goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets are amortized using the straight-line method over the estimated useful lives of the assets as follows:

|                       | <u>Number of Years</u> |
|-----------------------|------------------------|
| Customer relationship | 27                     |
| Land rights           | 25                     |
| Production license    | 10                     |
| Software license      | 1.5 to 3               |

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

#### Interest in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognized in relation to its interest in a joint operation its:

- assets, including its share of any assets held jointly
- liabilities, including its share of any liabilities incurred jointly
- revenue from the sale of its share of the output arising from the joint operation

- share of the revenue from the sale of the output by the joint operation
- expenses, including its share of any expenses incurred jointly

The Group accounts for the assets it controls and the liabilities it incurs, the expenses it incurs and the share of income that it earns from the sale of crude oil by the joint operations.

The Group's participating interest in the Etame block in Gabon, West Africa and participating interests in Philippine service contracts (SCs) are classified as joint operations.

#### Impairment of Nonfinancial Assets (excluding Goodwill)

The Group assesses at each reporting date whether there is an indication that an asset (e.g., property, plant and equipment, investment properties, deferred costs, intangible assets and right-of-use assets) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depletion, depreciation and amortization had no impairment loss been recognized for the asset in prior years.

#### Capital Stock and Additional Paid-in Capital

The Group records common stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When any member of the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity.

#### Retained Earnings

Retained earnings represent the cumulative balance of consolidated net income, effects of changes in accounting policy and other capital adjustments, net of dividend declaration.

#### Cumulative Translation Adjustment

Cumulative translation adjustment represents the resulting exchange differences in the remeasurement of accounts due to change in functional currency.



#### Equity Reserve

Equity reserve is made up of equity transactions other than equity contributions such as gain or loss resulting from increase or decrease of ownership without loss of control.

#### Dividend Distribution

Cash dividends on capital stock are recognized as a liability and deducted from retained earnings when approved by the BOD.

#### Revenue Recognition

Revenue is recognized when the control of petroleum and electricity are transferred to the customer at an amount that reflects the consideration which the Group expects to be entitled in exchange for those goods and services. The Group has generally concluded that it is the principal in its revenue arrangements.

#### *Electricity sales*

Revenues from sale of electricity using renewable energy is consummated and recognized over time whenever the electricity generated by the Group is transmitted through the transmission line designated by the buyer, for a consideration.

#### *Oil revenues*

Revenue from crude oil is recognized at a point in time when the control of the goods has transferred from the sellers (Consortium) to the buyer at the delivery point. Revenue is measured at the fair value of the consideration received.

The revenue recognized from the sale of petroleum products pertains to the Group's share in revenue from the joint operations. The revenue sharing is accounted for in accordance with PFRS 11, *Joint Arrangements*.

#### *Other Revenues*

Revenues from passed on wheeling charges are consummated and recognized over time whenever the electricity generated by the Group is transmitted through MERALCO's distribution system, for a consideration. Revenues from pass-on Wholesale Electricity Spot Market (WESM) transactions are consummated and recognized over time whenever the electricity generated by the Group is traded through WESM, for a consideration.

#### *Interest income*

Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

#### *Dividend income*

Dividend income is recognized according to the terms of the contract, or when the right of the payment has been established.

#### Share in Net Income of a Joint Venture

Share in net income of a joint venture represents the Group's share in profit or loss of its joint venture.

#### Miscellaneous Income

Miscellaneous income is recognized when the Group's right to receive the payment is established.

#### Costs and Expenses

##### *Cost of electricity sales*

Costs of electricity sales pertain to direct costs in generating electricity power which includes operating and maintenance costs (O&M) for power plant and fluid collection and reinjection system (FCRS),

depreciation and other costs directly attributed to producing electricity.

*Oil production*

Oil production are costs incurred to produce and deliver crude oil inventory, including transportation, storage and loading, among others.

*Change in crude oil inventory*

Change in crude oil inventory pertains to the movement of beginning and ending crude oil inventory charged as part of cost of sales.

*General and administrative expenses*

General and administrative expenses constitute costs of administering the business.

Costs and expenses are recognized as incurred.

Income Taxes

*Current Tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date.

*Deferred Tax*

Deferred tax is provided using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except to the extent that the deferred tax liabilities arise from the: a) initial recognition of goodwill; or b) the initial recognition of an asset or liability in a transaction which is not: i) a business combination; and ii) at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences with certain exceptions, and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred tax assets, however, are not recognized when it arises from the: a) initial recognition of an asset or liability in a transaction that is not a business combination; and b) at the time of transaction, affects neither the accounting income nor taxable profit or loss.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered. The Group does not recognize deferred tax assets and deferred tax liabilities that will reverse during the income tax holiday (ITH).

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in profit or loss or other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Subsidiaries operating in the Philippines file income tax returns on an individual basis. Thus, the deferred tax assets and deferred tax liabilities are offset on a per entity basis.

#### Leases

##### *Group as a lessee*

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *Right-of-use assets*

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use assets includes the amount of lease liability recognized, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

|              | Number of Years |
|--------------|-----------------|
| Land         | 18 to 25        |
| Office space | 2               |

##### *Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase

option). It also applies to the leases of low-value assets recognition exemption to leases that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### Retirement Benefits

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to consolidated statement of comprehensive income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

#### Asset Retirement Obligation (ARO)

The Group records present value of estimated costs of legal and constructive obligations required to restore the oilfields and plant sites upon termination of its operations. The nature of these restoration activities includes dismantling and removing structures, rehabilitating settling ponds, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of

affected areas. The obligation generally arises when the asset is constructed or the ground or environment at the sites are disturbed. When the liability is initially recognized, the present value of the estimated cost is capitalized as part of the carrying amount of the ARO assets (included under “Property, plant and equipment”) and ARO liability.

Liability and capitalized costs included in oil properties are equal to the present value of the Group’s proportionate share in the total decommissioning costs of the consortium on initial recognition. Additional costs or changes in decommissioning costs are recognized as additions or charges to the corresponding assets and ARO when they occur.

For closed sites or areas, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income.

If the decrease in liability exceeds the carrying amount of the asset, the excess shall be recognized immediately in profit or loss.

For the oil operation, the Group depreciates ARO assets based on units-of-production method. For the renewable energy, the Group depreciates ARO assets on a straight-line basis over the estimated useful life of the related asset or the service contract term, whichever is shorter, or written off as a result of impairment of the related asset.

The Group regularly assesses the provision for ARO and adjusts the related liability and asset.

#### Foreign Currency-Denominated Transactions and Translation

The consolidated financial statements are presented in PHP, which is the Parent Company’s functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency using the exchange rate at date of transaction. Monetary assets and liabilities denominated in foreign currencies are reinstated to the functional currency using the closing exchange rate at reporting date.

All exchange differences are taken to the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### Earnings Per Share

Basic earnings per share is computed on the basis of the weighted average number of shares outstanding during the year after giving retroactive effect to any stock split or stock dividends declared and stock rights exercised during the current year, if any.

Diluted earnings per share is computed on the basis of the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

#### Segment Reporting

The Group’s operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services, serves different markets subject to different risks and returns. Financial information on business segments is presented in Note 25 to the consolidated financial statements.

#### Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect

of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

#### Events After the Reporting Period

Post year-end events that provide additional information about the Group's situation at the reporting date (adjusting events) are reflected in the financial statements, if any. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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## 5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments, estimates and assumptions are reflected in the consolidated financial statements, as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements:

##### *Determination of Functional Currency*

The Parent Company determines its functional currency based on economic substance of underlying circumstances relevant to the Parent Company. The functional currency has been determined to be the PHP based on the economic substance of the Parent Company's business circumstances.

##### *Capitalization of Deferred Oil Exploration Costs and Deferred Development Costs*

Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. If the conditions for asset capitalization of development costs are not met, then such costs are expensed outright.

As of March 31, 2024 and December 31, 2023, the carrying value of deferred oil explorations costs amounted to ₱410.34 million and ₱386.80 million, respectively (see Note 13), and the Group's deferred development costs amounted to ₱654.89 million and ₱560.87 million as of March 31, 2024 and December 31, 2023, respectively (see Note 18).

### *Classification of Joint Arrangements*

Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group assesses their rights and obligations arising from the arrangement and specifically considers:

- the structure of the joint arrangement – whether it is structured through a separate vehicle
- when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  - the legal form of the separate vehicle
  - the terms of the contractual arrangement
  - other facts and circumstances, considered on a case to case basis

This assessment often requires significant judgment. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting of the investment.

The Group's investment in PetroWind and Buhawind Energy are structured in a separate incorporated entity. The Group and the parties to the agreement only have the right to the net assets of the joint venture through the terms of the contractual arrangement. Accordingly, the joint arrangement is classified as a joint venture. As of March 31, 2024 and December 31, 2023, the Group's investment in a joint venture amounted to ₱2.88 million and ₱2.88 million, respectively (see Note 14).

The Group and the parties to the agreement in investment in Gabon, West Africa and investments in petroleum concessions in the Philippines have joint control over its rights to the assets and obligations for the liabilities, relating to the arrangement. Accordingly, the joint arrangements are classified as joint operations (see Notes 12 and 13).

### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### *Estimation of Geothermal Field Reserves*

The Group performed volumetric reserve estimation to determine the reserves of the Maibarara geothermal field. As a requirement for project financing, the Group engaged at its own cost the New Zealand firm Sinclair Knight Merz (SKM) in 2011 to undertake a comprehensive third-party technical review of the Maibarara geothermal field. This review included analysis of the resource assessment performed in-house by the Group as well as a separate SKM reserve estimation and numerical modeling of the Maibarara reserves.

The Group's simulation indicated a mean (P50) proven reserves of 27.8 MW for 25 years. In contrast, SKM calculated the P50 reserves at 44 MW. At 90% probability (P90), the reserves calculated are 28 MW and 12 MW by SKM and the Group, respectively. SKM concluded that the approach taken by the Group is conservative as it limits reservoir thickness to depths where a maximum thickness of 280°C will be encountered although the measured temperature reached as high as 324°C. There is reasonable confidence that the 20 MW (gross) plant development is feasible as the P90 level appears also conservative as with the Group's approach. In addition, SKM identified indicated reserves, translating to 10 MW-26 MW in the area south of and outside the current area of development.

Also, there is a likely geothermal potential south of the proven area where two old wells were drilled and encountered high fluid temperatures (T ~ 300°C). MGI identified the southern block as a probable reserve area. SKM in 2011 suggested that the southern block can be classified as Indicated Resource

based on the Australian Code as high temperatures have been intersected by the two wells. SKM estimated that the stored heat in the Southern Block has a resource potential equivalent to 12 MW for a project life of 25 years.

An updated reserves estimation using the stored-heat calculation was made in 2015 by the Group as a result of reservoir and production performance and the 2014 drilling campaign. The 2014 drilling proved that the current resource area can produce around 33.1 MW, more than enough to meet the steam requirement of the existing 20 MW power plant plus the 12 MW expansion power plant. Using Monte Carlo simulation to estimate the reserves, the proven resource area has an 80% probability of delivering between 18.1 MW to 50.9 MW over a 25-year operating period. This Monte Carlo simulation also showed that the expected mean reserve for the proven resource area is 30.4 MW for 25 years.

The Group engaged a U.S. firm Geothermal Science, Inc. (GSI) in 2015 to perform a third-party technical appraisal of the resource for the planned 12 MW expansion. This third-party review was also made as a requirement for the project financing of MGPP-2 or M2. GSI adopted the technique from the US Geological Survey Circular 790 in making the probabilistic calculation of the geothermal reserves at Maibarara. Based on this approach, GSI estimates that Maibarara has a minimum or proven reserves of 40.2 MW, P90 for 25 years plant life and Most Likely Reserve of 61.6 MW, P50 for 25 years of plant life.

The Group commenced producing power commercially last February 8, 2014. To date, the current production wells of M1 and M2 are capable of producing 41.4 MW at full-bore capacity. These production wells including the complement reinjection wells are concentrated on the proven resource area.

As of March 31, 2024 and December 31, 2023, there has been no significant change in the estimated reserves that would affect the carrying value and useful life of the Group's property, plant and equipment.

#### *Estimation of Proved and Probable Oil Reserves*

The Parent Company assesses its estimate of proved and probable reserves on an annual basis. The estimate is based on the technical assumptions and is calculated in accordance with accepted volumetric methods, specifically the probabilistic method of estimation. Probabilistic method uses known geological, engineering and economic data to generate a range of estimates and their associated probabilities.

All proved and probable reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. Estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. Estimated oil reserves are utilized in the impairment testing and the calculation of depletion expense using the unit of production method of the investments.

As of March 31, 2024 and December 31, 2023, the carrying value of "Wells, Platforms and other Facilities" under "Property, Plant and Equipment" amounted to ₱581.98 million and ₱605.04 million, respectively (see Note 12).

#### *Estimation of Useful Lives of Property, Plant and Equipment*

The Group reviews on an annual basis the estimated useful lives of property, plant and equipment based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior.



It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depletion, depreciation and amortization expense and decrease noncurrent assets.

There is no change in the estimated useful lives of property, plant and equipment as of March 31, 2024 and December 31, 2023 (see Note 12).

*Impairment of Nonfinancial Assets*

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost of disposal and its value in use.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- the period for which the Group has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The related balances of the Group's nonfinancial assets as of March 31, 2024 and December 31, 2023 follow:

|  | <b>Unaudited<br/>31-Mar-2024</b> | Audited<br>31-Dec-2023 |
|--|----------------------------------|------------------------|
| Property, plant and equipment (Note 12)  | <b>₱12,372,701,414</b>           | ₱12,208,332,826        |
| Intangible assets (Note 16)              | <b>1,166,357,242</b>             | 1,172,413,367          |
| Deferred development costs (Note 18)     | <b>654,889,511</b>               | 560,886,192            |
| Deferred oil exploration costs (Note 13) | <b>410,338,944</b>               | 386,796,965            |
| Right-of-use assets (Note 15)            | <b>316,999,128</b>               | 322,894,463            |
| Investment properties (Note 17)          | <b>1,611,533</b>                 | 1,611,533              |
|  | <b>₱14,922,897,772</b>           | ₱14,652,935,346        |

There are no indicators of impairment that would trigger impairment review in March 31, 2024 and December 31, 2023 other than those mentioned below.

Gabon, West Africa

The Parent Company believes that the fluctuation in crude oil prices in the market, political risks in Gabon, discount rates and changes in other assumptions such as change in production profile which is based on continued production until the term of the existing PSC are indicators that the assets might be impaired or if there is reversal of prior impairment loss.

In 2018, the Gabonese Government allowed the sixth amendment to the Exploration Production Sharing Contract ("EPSC") that extends the exploitation period for the production licenses by ten (10)

years, or from September 2018 until September 2028, extendible by five (5) years and by a final extension of 5 more years. The extension of the EPSC will allow the consortium to maximize the use of the existing facilities that are already in place to increase or maintain production until the field's extended life (see Note 12).

SC 14-C2 – West Linapacan

SC 14-C2 has not yet expired and was granted with a 15-year extension of the SC as approved by the DOE from December 18, 2010 to December 18, 2025. The SC 14-C2 consortium proceeded with a third-party technical evaluation to assess potential production opportunities. With the SC nearing its expiration in December 2025, the assets were tested for impairment.

SC 6A – Octon-Malajon Block

In March 31, 2021, Philodrill, the operator, gave notice to the DOE that the Joint Venture has elected not to enter the 12<sup>th</sup> year of the final 15-year term of SC 61 and consequently surrender the Service Contract.

Impairment loss (reversal)

In assessing whether impairment is required, the carrying value of the asset is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Given the nature of the Parent Company's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, unless indicated otherwise, the recoverable amount used in assessing the impairment loss is value in use.

The Parent Company estimates value in use using a discounted cash flow model using a discount rate of 14.39% in 2023.

The Parent Company recognized impairment (reversal of impairment) loss for the years ended December 31, 2023 (nil in March 31, 2024) presented on a net basis:

|   |                    |
|---|--------------------|
| Wells, platforms and other facilities – net (Note 12) | <b>₱76,864,520</b> |
| Deferred oil exploration costs – net (Note 13)        | <b>303,476</b>     |
|   | <b>₱77,167,996</b> |

*Estimation of Asset Retirement Obligations*

The Group has various legal obligations to decommission or dismantle its assets related to the oil production, geothermal energy project, wind energy project and solar power project at the end of each respective service contracts. In determining the amount of provisions for restoration costs, assumptions and estimates are required in relation to the expected costs to restore sites and infrastructures when such obligation exists. The Group recognizes the present value of the obligation to dismantle and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related assets (for the renewable energy) and based on units-of-production method based on estimates of proved reserves (for the oil operations).

Cost estimates expressed at projected price levels until dismantling date are discounted using rates ranging from 6.01% to 7.32% in 2023 to take into account the timing of payments. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense (see Note 21).

Changes in the asset retirement obligation that result from a change in the current best estimate of cash flow required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in profit or loss as it occurs.

While the Group has made its best estimate in establishing the asset retirement obligation, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Asset retirement obligation as of March 31, 2024 and December 31, 2023 follows (see Note 21):

|                           | <b>Unaudited<br/>31-Mar-24</b> | Audited<br>31-Dec-23 |
|---------------------------|--------------------------------|----------------------|
| Solar power project       | <b>₱61,346,336</b>             | ₱60,429,322          |
| Oil production            | <b>50,097,196</b>              | 48,056,253           |
| Wind power project        | <b>47,372,992</b>              | 46,671,960           |
| Geothermal energy project | <b>12,532,847</b>              | 12,375,380           |
|                           | <b>₱171,349,371</b>            | ₱167,532,915         |

*Recoverability of input VAT*

The Group maintains an allowance for input VAT based on an assessment of the recoverability of these assets using the historical success rate of VAT refunded from the Bureau of Internal Revenue (BIR). A review is made by the Group on a continuing basis annually to determine the adequacy of the allowance for losses. The carrying value of input VAT amounted to ₱454.41 million and ₱430.09 million as of March 31, 2024 and December 31, 2023, respectively (see Note 18).

*Recognition of deferred tax assets*

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As of March 31, 2024 and December 31, 2023, the Group did not recognize deferred tax assets on certain temporary differences, NOLCO and MCIT as the Group believes that it may not be probable that sufficient taxable income will be available in the near foreseeable future against which the tax benefits can be realized prior to their expiration.

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**6. Cash and Cash Equivalents and Short-term Investments**

|                           | <b>Unaudited<br/>31-Mar-24</b> | Audited<br>31-Dec-23 |
|---------------------------|--------------------------------|----------------------|
| Cash on hand and in banks | <b>₱919,871,522</b>            | ₱771,239,069         |
| Cash equivalents          | <b>3,024,721,288</b>           | 1,563,065,298        |
| Cash and Cash Equivalents | <b>3,944,592,810</b>           | 2,334,304,367        |
| Short-term investments    | <b>₱-</b>                      | ₱1,975,286,425       |

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn

interest at the prevailing short-term investment rates.

As of March 31, 2024 and December 31, 2023, the Group has nil and ₱1.975 billion short-term investments with periods of more than three months but less than one year, respectively.

Interest income earned on cash and cash equivalents and short-term investments amounted to ₱41.42 million, P200.85 million as of March 31, 2024 and December 31, 2023, respectively.

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## 7. Restricted Cash

|   | <b>Unaudited<br/>31-Mar-24</b> | Audited<br>31-Dec-23 |
|---|--------------------------------|----------------------|
| Debt service payment and reserve accounts     | <b>₱374,251,690</b>            | ₱293,744,077         |
| Cash held under escrow for stock subscription | –                              | –                    |
| Share in Etame escrow fund – current portion  | –                              | –                    |
|   | <b>₱374,251,690</b>            | ₱293,744,077         |

### *Debt service payment and reserve accounts*

This refers to the amount of fund that the Group is required to maintain in the Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) pursuant to the Project Loan Facility Agreement (PLFA) of MGI and Omnibus Loan and Security Agreement (OLSA) of PetroSolar, respectively (see Note 20). The funds maintained in these accounts are used to pay the forthcoming debt service scheduled every year until the loan is fully paid off. Under the PLFA/OLSA, where the banks are one of the parties, the banks shall have the exclusive control over and exclusive right of withdrawal from the restricted cash accounts.

### *Cash held under escrow for stock subscription*

This represents the remaining funds held under escrow related to the Share Subscription Agreement between PetroGreen and Kyuden International Corporation (Kyuden), which was fully released from the escrow fund in January 2023. Interest income earned on restricted cash amounts to ₱0.06 million and ₱0.84 million as of March 31, 2024 and December 31, 2023.

### *Share in Etame escrow fund – current portion*

This represents Parent Company's share in the current portion of the Abandonment Fund related to FPSO decommissioning and Etame Field Asset Retirement Obligations. These funds were released from the escrow account in February 2023.

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## 8. Receivables

|                                | <b>Unaudited<br/>31-Mar-24</b> | Audited<br>31-Dec-23 |
|--------------------------------|--------------------------------|----------------------|
| Trade receivables:             |                                |                      |
| Electricity sales              | <b>₱530,786,373</b>            | ₱438,732,703         |
| Oil revenues                   | <b>79,325,419</b>              | 57,339,972           |
| Other trade receivables        | <b>3,371,534</b>               | 3,464,223            |
| Non-trade receivables:         |                                |                      |
| Receivables from related party | <b>36,383,278</b>              | 36,664,312           |
| Receivable from contractors    | <b>29,403,666</b>              | 37,010,692           |

*Forward*

|                                      | <b>Unaudited<br/>31-Mar-24</b> | Audited<br>31-Dec-23 |
|--------------------------------------|--------------------------------|----------------------|
| Interest receivable                  | <b>15,643,190</b>              | 86,809,859           |
| Consortium operator                  | <b>2,682,452</b>               | 2,682,452            |
| Bid bond deposits                    | –                              | 47,000,000           |
| Others                               | <b>28,038,109</b>              | 23,499,680           |
|                                      | <b>725,634,021</b>             | 733,203,893          |
| Less allowance for impairment losses | <b>2,682,452</b>               | 2,682,452            |
|                                      | <b>₱722,951,569</b>            | ₱730,521,441         |

Accounts receivables are generally on 30-day credit term. Interest income earned from the delayed payments of FiT differential and other receivables amounted to ₱0.99 million and ₱12.65 million as of March 31, 2024 and December 31, 2023.

#### 9. Financial Assets at Fair Value Through Profit or Loss

|                                | <b>Unaudited<br/>31-Mar-24</b> | Audited<br>31-Dec-23 |
|--------------------------------|--------------------------------|----------------------|
| Marketable equity securities   | <b>₱6,289,247</b>              | ₱6,188,720           |
| Investment in golf club shares | <b>770,000</b>                 | 770,000              |
|                                | <b>₱7,059,247</b>              | ₱6,958,720           |

Net gain (loss) on fair value changes on financial assets at FVTPL included in profit or loss amounted to (₱0.10 million) and (₱0.53 million) as of March 31, 2024 and December 31, 2023, respectively. Dividend income received from equity securities amounted to nil and ₱0.03 million as of March 31, 2024 and December 31, 2023, respectively.

#### 10. Contract Assets – current and noncurrent portion

On May 26, 2020, the Energy Regulatory Commission (ERC) approved Resolution No. 6 series of 2020 approving the adjustment to Feed in Tariff for the years 2016 – 2020 using 2014 as the base year for the consumer price index and foreign exchange. TransCo has an annual application for the adjusted FIT rate with the ERC which is the basis for recording of FIT arrears and contract assets.

As of March 31, 2024 and December 31, 2023, current portion of the contract asset amounted to ₱93.87 million and ₱127.13 million, respectively, while noncurrent portion amounted to ₱662.60 million and ₱609.57 million, respectively.

#### 11. Other Current Assets

|                       | <b>Unaudited<br/>31-Mar-24</b> | Audited<br>31-Dec-23 |
|-----------------------|--------------------------------|----------------------|
| Supplies inventory    | <b>₱169,582,525</b>            | ₱ 150,572,239        |
| Prepaid expenses      | <b>68,080,029</b>              | 57,485,232           |
| Advances to suppliers | <b>29,509,977</b>              | 15,220,728           |
| Prepaid income taxes  | <b>11,082,726</b>              | 8,301,235            |
| Others                | <b>2,452,600</b>               | 658,803              |
|                       | <b>₱280,707,857</b>            | ₱ 232,238,237        |

*Supplies Inventory*

Supplies inventory refers to purchased supplies and parts that are intended to be used for operations and maintenance.

*Prepaid Expenses*

Prepaid expenses include various prepaid insurances, services and rent. Prepaid expenses also include advance payment for Real Property Taxes (RPT), Stand-by Letter of Credit (SBLC) charges and operations and maintenance fees.

## 12. Property, Plant and Equipment

|   | Unaudited<br>31-Mar-24 |   |  |                                  |  |                             |   |                             |                        |
|---|------------------------|---|--|----------------------------------|--|-----------------------------|---|-----------------------------|------------------------|
|   | Power plants           | FCRS and<br>production<br>wells –<br>geothermal | Wells,<br>platforms<br>and other<br>facilities | Land and<br>land<br>improvements | Office<br>condominium<br>units and<br>improvements | Transportation<br>equipment | Office<br>furniture<br>and other<br>equipment | Construction in<br>progress | Total                  |
| <b>Cost</b>                                       |                        |   |  |                                  |  |                             |   |                             |                        |
| Balances at beginning of year                     | ₱11,579,180,788        | ₱2,125,079,210                                  | ₱2,420,151,480                                 | ₱928,483,519                     | ₱80,500,468  | ₱99,913,316                 | ₱232,539,845                                  | ₱1,497,104,568              | ₱18,962,953,194        |
| Additions   | 573,190                | 27,440,977                                      | 149,482  | 5,623,139                        | 1,227,086  | 6,513,214                   | 1,977,898                                     | 300,910,175                 | 344,415,162            |
| Change in ARO estimate (Note 21)                  | –                      | –   | –  | –                                | –  | –                           | –   | –                           | –                      |
| Disposal  | (6,255,704)            | –   | –  | –                                | –  | –                           | –   | –                           | (6,255,704)            |
| Reclassifications                                 | –                      | –   | –  | –                                | –  | –                           | –   | –                           | –                      |
| Balances at end of year                           | 11,573,498,274         | 2,152,520,187                                   | 2,420,300,962                                  | 934,106,658                      | 81,727,554   | 106,426,530                 | 234,517,743                                   | 1,798,014,743               | 19,301,112,652         |
| <b>Accumulated depletion and<br/>depreciation</b> |                        |   |  |                                  |  |                             |   |                             |                        |
| Balances at beginning of year                     | 4,068,728,242          | 562,671,715                                     | 1,568,996,366                                  | 22,162,978                       | 41,243,424   | 65,537,656                  | 179,162,886                                   | –                           | 6,508,503,267          |
| Depletion and depreciation                        | 120,143,301            | 21,392,035                                      | 23,211,729                                     | 6,215,908                        | 2,136,206  | 2,919,710                   | 4,027,667                                     | –                           | 180,046,554            |
| Disposals   | (6,255,704)            | –   | –  | –                                | –  | –                           | –   | –                           | (6,255,704)            |
| Balances at end of year                           | 4,182,615,839          | 584,063,750                                     | 1,592,208,095                                  | 28,378,886                       | 43,379,630   | 68,457,366                  | 183,190,552                                   | –                           | 6,682,294,117          |
| <b>Accumulated impairment losses</b>              |                        |   |  |                                  |  |                             |   |                             |                        |
| Balances at beginning of year                     | –                      | –   | 246,117,121                                    | –                                | –  | –                           | –   | –                           | 246,117,121            |
| Impairment loss-net (Note 5)                      | –                      | –   | –  | –                                | –  | –                           | –   | –                           | –                      |
| Balances at end of year                           | –                      | –   | 246,117,121                                    | –                                | –  | –                           | –   | –                           | 246,117,121            |
| <b>Net book values</b>                            | <b>₱7,390,882,435</b>  | <b>₱1,568,456,437</b>                           | <b>₱81,975,746</b>                             | <b>₱905,727,772</b>              | <b>₱38,347,924</b>                                 | <b>₱37,969,164</b>          | <b>₱51,327,191</b>                            | <b>₱1,798,014,743</b>       | <b>₱12,372,701,414</b> |

Audited  
31-Dec-2023

|   | Power plants   | FCRS and<br>production wells –<br>geothermal | Wells, platforms<br>and other facilities | Land and<br>land<br>improvements | Office<br>condominium<br>units and<br>improvements | Transportation<br>equipment | Office furniture<br>and other<br>equipment | Construction in<br>progress | Total           |
|---|----------------|--|--|----------------------------------|--|-----------------------------|--|-----------------------------|-----------------|
| Cost  |                |  |  |                                  |  |                             |  |                             |                 |
| Balances at beginning of year                 | ₱7,353,955,059 | ₱1,979,689,474                               | ₱2,400,854,155                           | ₱387,043,899                     | ₱42,547,992  | ₱76,958,664                 | ₱173,541,036                               | ₱217,311,973                | ₱12,631,902,252 |
| Additions                                     | 184,722,551    | 122,078,552                                  | 15,508,544                               | 241,363,085                      | 5,898,854  | 11,880,409                  | 15,702,679                                 | 1,246,396,882               | 1,843,551,556   |
| Additions from business combination (Note 14) | 4,156,559,006  | –  | –  | 300,076,535                      | 32,053,622   | 11,074,263                  | 30,471,911                                 | 91,140,921                  | 4,621,376,258   |
| Change in ARO estimate (Note 21)              | 48,581,945     | 4,330,447                                    | 3,788,781                                | –                                | –  | –                           | –  | –                           | 56,701,173      |
| Disposal                                      | (190,524,365)  | –  | –  | –                                | –  | –                           | (53,660)                                   | –                           | (190,578,025)   |
| Reclassifications                             | 25,886,592     | 18,980,737                                   | –  | –                                | –  | –                           | 12,877,879                                 | (57,745,208)                | –               |
| Balances at end of year                       | 11,579,180,788 | 2,125,079,210                                | 2,420,151,480                            | 928,483,519                      | 80,500,468   | 99,913,336                  | 232,539,845                                | 1,497,104,568               | 18,962,953,214  |
| Accumulated depletion and depreciation        |                |  |  |                                  |  |                             |  |                             |                 |
| Balances at beginning of year                 | 2,040,397,532  | 477,572,498                                  | 1,467,772,639                            | 41,650,521                       | 41,172,900   | 48,337,063                  | 148,849,441                                | –                           | 4,265,752,594   |
| Depletion and depreciation                    | 446,848,761    | 85,099,217                                   | 101,223,727                              | 21,857,070                       | 4,727,523  | 9,777,330                   | 14,259,587                                 | –                           | 683,793,215     |
| Additions from business combination (Note 14) | 1,641,868,724  | –  | –  | (41,344,613)                     | (4,656,999)  | 7,423,263                   | 16,107,518                                 | –                           | 1,619,397,893   |
| Disposals                                     | (60,386,775)   | –  | –  | –                                | –  | –                           | (53,660)                                   | –                           | (60,440,435)    |
| Balances at end of year                       | 4,068,728,242  | 562,671,715                                  | 1,568,996,366                            | 22,162,978                       | 41,243,424   | 65,537,656                  | 179,162,886                                | –                           | 6,508,503,267   |
| Accumulated impairment losses                 |                |  |  |                                  |  |                             |  |                             |                 |
| Balances at beginning of year                 | –              | –  | 169,252,601                              | –                                | –  | –                           | –  | –                           | 169,252,601     |
| Impairment loss (Note 5)                      | –              | –  | 76,864,520                               | –                                | –  | –                           | –  | –                           | 76,864,520      |
| Balances at end of year                       | –              | –  | 246,117,121                              | –                                | –  | –                           | –  | –                           | 246,117,121     |
| Net book values                               | ₱7,510,452,546 | ₱1,562,407,495                               | ₱605,037,993                             | ₱906,320,541                     | ₱39,257,044  | ₱34,375,680                 | ₱53,376,959                                | ₱1,497,104,568              | ₱12,208,332,826 |



Change in ARO estimates and transfers from advances to contractors, deferred oil exploration costs and development costs are considered as noncash investing activities.

Depletion of wells, platforms and other facilities is presented as a separate item under cost of sales in the consolidated statements of comprehensive income.

As of March 31, 2024 and December 31, 2023, the participating interest of PERC in various service contract areas are as follows:

|                           |         |
|---------------------------|---------|
| Gabonese Oil Concessions  | 2.525%  |
| SC 14-C2 – West Linapacan | 4.137%  |
| SC-75 - Northwest Palawan | 15.000% |

### **Foreign Operations**

#### *Gabon, West Africa*

##### Background

The Group holds approximately 2.53% participating interest in the Exploration and Production Sharing Contract covering the Etame block in Gabon, West Africa (the “Etame Marin Permit”). The other parties in the consortium are Addax Petroleum Etame, Inc. (33.90%) and VAALCO Gabon (Etame), Inc. (63.58%) (the “Gabon Consortium”), are leaders in their respective areas of operation. VAALCO is the Consortium’s operator, and is in charge of conducting the exploration and production activities in the Gabon contract area.

The EPSC is a contract with the Gabonese Government that gives the holder of the said EPSC exclusive rights and obligations to perform exploration, exploitation, and production activities and in the case of the consortium, within the Etame Marin Permit area.

In August 2021, the Consortium entered into a Bareboat Charter Agreement and Operating Agreement with World Carrier Offshore Services Corporation (World Carrier) to provide and operate a Floating Storage and Offloading (FSO) unit at the Etame Marin field for up to eight (8) years with additional option periods available upon the expiration of the current 20-year Floating Production, Storage and Offloading (FPSO) contract with BW Offshore in September 2022.

In December 2021, the consortium commenced a four-well drilling program in the Etame, Avouma and North Tchibala fields using the Borr Norve jack-up drilling rig, aimed to sustain field production to above 20,000 BOPD.

Etame-8H sidetrack was completed in February 2022. Avouma-3H sidetrack was completed in April 2022, South Tchibala-1HB sidetrack in July 2022, and North Tchibala-2H sidetrack in November 2022. Workovers were also conducted on Ebouri-2H, North Tchibala-1H and Southeast Etame-4H wells within 2022. This resulted in an increase in overall crude production of ~18,000-20,000 BOPD by the end of 2022.

Given the extended EPSC period, the Consortium is currently firming up the most feasible Integrated Field Development Plan (IFDP) to extract the remaining recoverable oil volumes until at least 2028 up to 2038 (final extension). This IFDP may include: 1) production from sour oil reserves, 2) outfield drilling opportunities, and 3) facility maintenance strategies.

##### Update on Production

Production was routed to the Petroleo Nautipa, the spread-moored (FPSO) vessel from the Etame, Avouma-Southeast Etame-North Tchibala and Ebouri platforms, and from the wells tied to the subsea Etame manifold. The produced oils were processed and exported from the FPSO, which had a storage capacity of one million barrels of oil (MMBO).

Throughout 2022, facility reconfiguration works were being completed in parallel for the hook-up and commissioning of the new FSO vessel Teli, which replaced the Petroleo Nautipa FPSO vessel in mid-October 2022. The FSO vessel is now operational and receiving crude from all Etame Marin platform wells. The two (2) old subsea wells – Etame-6H and Etame-7H – which were originally connected directly to the old Petroleo Nautipa FPSO, have been hooked-up to the FSO last December 30, 2022.

Crude production comes from four (4) oil fields (Etame, Avouma, Ebouri and North Tchibala).

On March 31, 2024 and December 31, 2023, total crude production reached 1.3 MMBO and 6.25 MMBO, respectively. The Consortium managed 10 liftings, resulting in net crude export of 6.009 MMBO, with crude oil market prices ranging from US\$ 75 – US\$ 90 per barrel. Since the Gabon oilfield has been put on-line in 2002, a total of 135.66 MMBO has been extracted to date over the last 21 years.

As of March 31, 2024 and December 31, 2023, PetroEnergy has investments in Gabon, West Africa included in “Wells, platforms and other facilities” account under “Property, plant and equipment” amounting to ₱581.976 million and ₱605.038 million, respectively. With the fluctuation in crude oil prices and recoverable oil reserves, impairment loss (reversal of impairment loss) was recognized amounting to nil and ₱76.86 million in March 31, 2024 and December 31, 2023.

### **Philippine Operations**

#### ***SC 14-C2 – West Linapacan, Northwest Palawan***

West Linapacan was discovered in the early 1990s. It produced oil from 1992 to 1996, peaking at 18,000 BOPD, before it was shut-in due to early water incursion.

The SC 14C2 Consortium, led by operator Philodrill Corp., negotiated with a potential farmee for the drilling of potential drilling targets, in exchange for a majority share and Operatorship of SC 14C2. This farm-in is subject to the approval of the DOE.

While the consortium awaited the farmee’s completion of the farm-in documentation, Philodrill continued to do in-house G&G work over at the West Linapacan area at the interim. For compliance, a “Transition Work Program and Budget, covering November 2020 to March 2021 was submitted to the DOE in November 2020 and was approved.

Throughout the second half of 2022, the SC 14-C2 consortium proceeded with a third-party technical evaluation of the West Linapacan B field, to assess potential production opportunities.

On May 11, 2023, the SC 14-C2 consortium approved to unitize the service contract with SC 6B, subject to the issuance of a DOE Department Circular regarding application for new petroleum service contract. However, the circular which was subsequently issued on December 18, 2023 stated that the application process for new petroleum service contracts would be issued in a supplementary guideline.

While waiting for the supplementary guideline, the consortium continues to evaluate farm-in proposals from interested parties. On December 29, 2023, the DOE approved the 2024 Work Program and Budget submitted by the Consortium. SC 14-C2 is due to expire in December 2025.

Due to the limited term remaining, the Group assessed the recoverability of the investment included in “Wells, platforms and other facilities” account under “Property, plant and equipment” and recorded impairment loss amounted to nil and ₱0.30 million in March 31, 2024 and December 31, 2023, respectively.

As of March 31, 2024 and December 31, 2023, PetroEnergy's investments in the West Linapacan Oilfield included in "Wells, platforms and other facilities" account under "Property, plant and equipment" amount to nil.

*Maibarara Geothermal Power Project*

***Geothermal Renewable Energy Service Contract (GRES) No. 2010-02-012***

Following the DOE Philippine Energy Contracting Round for Geothermal in 2009, PERC signed the Service Contract for the Maibarara Geothermal Power Project (MGPP) on February 1, 2010. PERC then conducted pre-development activities in 2010 to 2011. In order to carry out the development and operations of the MGPP, PetroEnergy (through its subsidiary, PetroGreen) then created Maibarara Geothermal, Inc. (MGI) along with Trans-Asia Oil and Energy Development Corporation ("Trans-Asia", subsequently renamed as PHINMA Energy Corporation or "PHINMA", and now known as ACEN Corporation or "ACEN") and PNOC Renewable Corporation (PNOC RC), with 65%, 25%, and 10% equity ownerships, respectively.

In June 2019, ACEN, the energy platform of Ayala Corporation, completed the acquisition of PHINMA, including PHINMA's 25% share in MGI.

*20 MW Maibarara-1 Geothermal Power Plant (MGPP-1)*

The DOE confirmed the commerciality of the 20-MW MGPP-1 in 2011, allowing MGI to proceed with the MGPP's development stage, involving 1) the drilling of two (2) wells to complete the steam production and reinjection well capacities, and 2) the construction of the steamfield and power plant facilities. The MGPP-1's 115kV Transmission Line system was successfully connected to the existing Manila Electric Company (MERALCO) line in September 2013. Upon completion of the reliability and performance testing, the MGPP-1 went on commercial operations on February 8, 2014. All electricity generated are sold to offtaker, ACEN, following the aforementioned acquisition of PHINMA by ACEN.

On February 08-27, 2021, the Maibarara-1 facility had a scheduled minor maintenance shutdown. Various maintenance activities for the unit's mechanical and electrical, and instrumentation facilities, as well as for the switchyard and transmission lines, were carried-out by MGI technical staff and private contractors.

MGPP-1 underwent its second major preventive maintenance shutdowns (PMS) in February 2022; the first being conducted in 2016.

On June 23-28, 2023, the MGPP-1 and 2 power plants had an opportunity maintenance shutdown during the relocation of transmission line and stub poles affected by SLEX-TR4 construction. Various maintenance activities for the plants' mechanical, electrical, and instrumentation facilities, as well as for the switchyard and transmission lines, were carried-out by MGI technical staff and private contractors.

On the steamfield side, the two (2) production wells dedicated to MGPP-1 operations Mai-6D and MB-12D continued to behave consistently with dynamic but sustainable production.

Separated brine from the production wells and power plant condensates are pumped into the two (2) reinjection wells, MB-14RD and MB-17RD, to recharge the reservoir and comply with the environmental standards.

MGPP-1 delivered 38.90 GWh and 159.85 GWh of electricity on March 31, 2024 and December 31, 2023, respectively.

***12 MW Maibarara-2 Geothermal Power Plant (MGPP-2)***

With the stable performance of the reservoir, MGI decided to pursue an expansion of the MGPP. There was at least 5 MW of excess steam supply from the MGPP-1 wells, and with the ~6 MW capacity of the new well, an expansion of 12 MW was decided and approved in 2015 (MGPP-2).

Major power plant components from Fuji Electric Co. Ltd. (“Fuji”, the same supplier as the MGPP-1) were delivered and installed on site from March to April 2017. MGPP-2 was first synchronized to the grid on March 9, 2018, with the full 12 MW attained on March 18, 2018. Reliability tests were then conducted from March 18 to 27, 2018, during which the power plant was on full 12 MW operation.

The Energy Regulatory Commission (ERC) formally notified MGI of the approval of MGPP-2’s Certificate of Compliance (COC) application on April 26, 2018. Subsequently, the MGPP-2 was accepted into the Wholesale Electricity Spot Market (WESM) on April 30, 2018 – pegging the MGPP-2’s start of Commercial Operations on the same date. This operationally started the application of MGPP-2’s Electricity Supply Agreement (ESA) with PHINMA, now ACEN, wherein all of MGPP-2’s generated electricity are sold to ACEN.

Workover operations were conducted on production well MB-15D in June 2022. After which, new production well MB-18D was drilled in September 2022 and hooked-up in November 2022. To date, the field’s total gross output is now being sustained at ~33 MW.

Steam flow requirements of the MGPP-2 are also supplied by two (2) production wells MB-12D and MB-18D with the common steam line.

MGPP-2 transmitted 23.17 GWh and 95.77 GWh of electricity on March 31, 2024 and December 31, 2023, respectively.

Both the MGPP-1 and the MGPP-2 are registered with the Board of Investments and are enjoying the incentives under the Renewable Energy Act of 2008.

***Tarlac Solar Power Project (TSPP)***

***Solar Energy Service Contract (SESC) No. 2015-03-115***

The SESC for the TSPP was awarded by the DOE on March 19, 2015. On June 17, 2015, PGEC and affiliate EEI Power Corporation (“EEIPC”, 100% subsidiary of EEI Corporation), incorporated PetroSolar to undertake the development of the TSPP.

***50 MWDC Tarlac Solar Power Project-1 (TSPP-1)***

On June 22, 2015, PetroGreen and solar farm lot owner, Luisita Industrial Park Corporation (LIPCO), executed a Lease Agreement for the 55-hectare solar farm development. This was assigned to PetroSolar on September 15, 2015. As the LIPCO property is within the Central Technopark, which is under the jurisdiction of the Philippine Economic Zone Authority (PEZA), PetroSolar was able to register as an Ecozone Utilities Enterprise on July 28, 2015, entitling it to the incentives available to PEZA locators.

After only four (4) months of ground works, the TSPP-1 was completed by mid-January 2016 and was able to export power to the grid on January 27, 2016. The DOE eventually gave its Certificate of Endorsement (COE) – Feed-in-Tariff (FiT) for TSPP-1, with an official Commercial Operations Date on February 10, 2016. Subsequently, on April 6, 2016, PSC executed its Renewable Energy Payment Agreement (REPA) with the National Transmission Corporation (TransCo), assuring the TSPP-1’s revenues from the FiT payment of ₱8.69/kWh from 2016 to 2036.

The total energy exported to the grid was 19.49 GWh and 72.82 GWh on March 31, 2024 and December 31, 2023, respectively.

*20 MWDC Tarlac Solar Power Project (TSPP-2)*

On September 17, 2018, the BOI formally awarded to PetroSolar the latter's Certificate of Registration for the 20 MWDC TSPP-2. This approval entitles the TSPP-2 to enjoy duty-free importations, and a seven-year Income Tax Holiday (ITH), among others.

After the site construction works for the TSPP-2 were completed in March 2019 and its registration with the WESM was secured from the Independent Electricity Market Operator of the Philippines Inc. (IEMOP) on April 21, 2019, the TSPP-2 started exporting power to the grid on April 22, 2019 as part of its testing and commissioning activities. The ERC conducted its technical inspections for the TSPP-2 on May 31, 2019, as part of PetroSolar's Certificate of Compliance (COC) for TSPP-2.

On February 27, 2020 and March 18, 2020, the DOE formally issued to PSC the Certificate of Confirmation of Commerciality (COCOC) and the Certificate of Endorsement (COE) for TSPP-2, respectively. The COE is a prerequisite to the issuance of the Certificate of Compliance (COC) by the ERC. The COC will determine the official Commercial Operations Date (COD) for TSPP-2.

The ERC issued a Provisional Approval to Operate (PAO) to TSPP-2 on December 16, 2021, subject to PSC's compliance to 1) public offering requirement and 2) terms under PSC's Point-to-Point application, once approved. The said PAO is valid until December 15, 2022, and sets TSPP-2's WESM COD to January 25, 2022.

On October 25, 2022, PSC submitted application for validity extension of the PAO for TSPP-2. While evaluation of the application was underway, ERC issued 2023 COC revised guidelines that extended the effectivity of TSPP-2's PAO until December 15, 2024.

In December 2023, PSC completed the construction of the TSPP-2 49 MWac substation. PSC will use this new substation once it receives approval from ERC.

TSPP-2 exported 7.93 GWh and 30.36 GWh on March 31, 2024 and December 31, 2023, respectively.

*Nabas Wind Power Project (NWPP)*

***Wind Energy Service Contract (WESC) No. 2009-09-002***

The service contract for the Nabas Wind Power Project (NWPP) covers 2,000 hectares of public and private lands in rolling terrain located near the northwestern tip of Panay Island. It lies about 6 km southeast of Caticlan, and electricity-deficient Panay and Boracay islands are natural markets of future power from NWPP.

It was decided that the NWPP will be constructed in two phases: Phase 1 for the existing 36 MW NWPP-1, consisting of 18 Wind Turbine Generators (WTG); while Phase 2 will be a 14 MW development that will have seven (7) WTGs (NWPP-2). Later on, Phase 2 capacity was finalized to be 13.2 MW with six (6) WTGs.

On May 26, 2013, the DOE issued the Confirmation of Commerciality for the 36 MW NWPP-1, making it the third WESC to be declared commercially feasible. Construction of NWPP-1 started in December 2013 and was completed in the first half of 2015.

On June 16, 2015, the DOE released the COE for FIT Eligibility (COE-FIT), endorsing the official start of commercial operation to be June 10, 2015. On August 17, 2015, the ERC approved PWEI's COC for NWPP-1. This confirms the commercial operations date of the wind farm to be June 10, 2015.

On May 13, 2020, the DOE formally awarded to PetroWind the Certificate of Confirmation of Commerciality (COCOC) for the planned Nabas-2 Wind Power Project (NWPP-2). This signifies that NWPP-2 has been approved for construction as being commercially feasible.

On February 17, 2021, the DENR-EMB Region 6 issued the amended Environmental Compliance Certificate (ECC) to PetroWind for NWPP-2, while the Forest Land Use Agreement (FLAG) has been signed by the DENR Central Office in January 4, 2022.

On June 24, 2022, PWEI's NWPP-2 was formally announced as the winning bidder for the 20-MW Visayas wind allocation of the DOE's Green Energy Auction Program (GEAP), for a 20-year offtake term. On September 28, 2022, the DOE issued to PWEI its Certificate of Award for the GEAP wind allocation.

PWEI awarded to VESTAS the NWPP-2 WTG Supply, Supervision, and Services Agreements on December 13, 2022. On the other hand, PWEI also awarded and issued the Notice to Proceed (NTP) to EEI Corporation (EEI) the contract for the NWPP-2 Main Balance of Plant (BoP) for the Civil, Electrical (Substation and Switching Station, and Electrical Feeder Lines), including WTG Electro-Mechanical Works installation.

On January 13, 2023, DENR signed Special Agreement for Protected Areas (SAPA) of NWPP-2. This agreement allows PWEI to develop NWPP-2 in the approved area for at least 25 years. PWEI also secured tree cutting permit within private lands and forestlands on March 16, 2023.

The additional construction in progress in 2023 mainly pertains to ₱1.2 billion construction of NWPP-2 which is expected to be completed in April 2025.

By December 2023, EEI substantially completed the construction of the NWPP-2 substation, switching station and WTG 20-22 feeder lines, and erection of WTG 20. Three (3) turbines are expected to be connected to the grid by April 2024.

Change in ARO estimate and transfers from advances to contractors, deferred oil exploration costs and development costs are considered as noncash investing activities.

Depletion of wells, platforms and other facilities is presented as a separate item under cost of sales in the consolidated statements of comprehensive income.

As of March 31, 2024 and December 31, 2023, the participating interests of PERC in various service contract areas are as follows:

|                           |         |
|---------------------------|---------|
| Gabonese Oil Concessions  | 2.525%  |
| SC 14-C2 – West Linapacan | 4.137%  |
| SC-75 - Northwest Palawan | 15.000% |

### 13. Deferred Oil Exploration Costs

The movements in deferred oil exploration costs are as follows:

|                                      | Unaudited<br>31-Mar-24 | Audited<br>31-Dec-23 |
|--------------------------------------|------------------------|----------------------|
| <b>Cost</b>                          |                        |                      |
| Balances at beginning of year        | ₱690,673,984           | ₱615,456,554         |
| Additions                            | 23,541,979             | 75,217,430           |
| Write-off / relinquishment (Note 5)  | –                      | –                    |
| Balances at end of year              | 714,215,963            | 690,673,984          |
| <b>Accumulated impairment losses</b> |                        |                      |
| Balances at beginning of year        | 303,877,019            | 303,573,543          |
| Impairment loss (reversal) (Note 5)  | –                      | 303,476              |
| Balances at end of year              | 303,877,019            | 303,877,019          |
|                                      | <b>₱410,338,944</b>    | <b>₱386,796,965</b>  |

Details of deferred oil exploration costs as of March 31, 2024 and December 31, 2023 are as follows:

|   | Unaudited<br>31-Mar-24 | Audited<br>31-Dec-23 |
|---|------------------------|----------------------|
| <b>Cost</b>   |                        |                      |
| Gabonese Oil Concessions (Note 13)                                | ₱645,234,534           | ₱622,113,463         |
| SC. No. 75 – Offshore Northwest Palawan                           | 65,550,217             | 65,175,859           |
| SC. No. 14 – C2 (West Linapacan) -<br>Northwest Palawan (Note 13) | 3,431,212              | 3,384,662            |
|   | 714,215,963            | 690,673,984          |
| <b>Accumulated impairment losses</b>                              |                        |                      |
| Gabonese Oil Concessions (Note 13)                                | 300,492,357            | 300,492,357          |
| SC. No. 14 – C2 (West Linapacan) –<br>Northwest Palawan (Note 13) | 3,384,662              | 3,384,662            |
|   | 303,877,019            | 303,877,019          |
|   | <b>₱ 410,338,944</b>   | <b>₱386,796,965</b>  |

#### **Philippine Oil Operations – Development Phase**

Under the SCs entered into with the DOE covering certain petroleum contract areas in various locations in the Philippines, the participating oil companies (collectively known as “Contractors”) are obliged to provide, at their sole risk, the services, technology and financing necessary in the performance of their obligations under these contracts. The Contractors are also obliged to spend specified amounts indicated in the contract in direct proportion to their work obligations.

However, if the Contractors fail to comply with their work obligations, they shall pay to the government the amount they should have spent, but did not, in direct proportion to their work obligations. The participating companies have Operating Agreements among themselves which govern their rights and obligations under these contracts.

The full recovery of these deferred costs is dependent upon the discovery of oil in commercial quantities from any of the petroleum concessions and the success of future development thereof.

As of March 31, 2024 and December 31, 2023, the remaining participating interest of the Parent Company in Petroleum SC areas is SC 75 – Offshore Northwest Palawan wherein the Parent Company has 15% interest.

***SC 75 – Offshore Northwest Palawan***

Service Contract 75 (SC 75) was signed on December 27, 2013 with partners PXP Energy Corporation (PXP energy) [50%] and PNOG-Exploration Corporation (35%). The block covers the West Philippine Sea with an area of 616,000 hectares.

On October 14, 2020, the DOE issued a formal notice to the SC 75 consortium, lifting the Force Majeure imposed since September 2015. Through this letter, the consortium was notified to resume its Work Program commitments under SC 75, including the committed ~1,000 sq.km 3D seismic survey over the identified leads in SC 75.

On January 6, 2022, the SC 75 consortium officially engaged Shearwater Geoservices Ltd. For the ~1,100 sq.km 3D seismic survey over SC 75 using the M/V Geo Coral seismic vessel. However, the programmed 3D seismic acquisition campaign was suspended on April 6, 2022 after Operator PXP Energy received a written directive from the DOE to put all exploration activities on hold until the Security, Justice and Peace Coordinating Cluster (SJPCC) issues the necessary clearance to proceed. On April 11, 2022, PXP declared a Force Majeure event over the suspended seismic survey.

The SC 75 consortium is awaiting further instructions from the DOE, while all contracted vessels and personnel for the seismic survey have since demobilized from the SC 75 area.

***SC 6A – Octon-Malajon Block***

This is one of the first exploration areas in offshore Palawan. It includes about 165,000 hectares of relatively shallow water areas where a string of wells has found non-commercial oil accumulations in varied reservoir horizons. DOE granted in June 2009 the final 15-year extension of the SC-6A service contract.

In 2019, consortium operator Philodrill completed seismic interpretation and mapping works for the northern portion of the Octon-Malajon block, using recent and old SC 6A seismic data and subsurface data from the adjacent Galoc

In 2020, Philodrill engaged Dubai-based consultants LMKR to conduct Quantitative Interpretation (QI) works to determine possible drilling opportunities in the northern portion of the block (Malajon field); the results of which were provided to the consortium in January 2021.

On March 31, 2021, Philodrill gave notice to the DOE that the Joint Venture has elected not to enter the 12<sup>th</sup> year of the final 15-year term of SC 61 and consequently surrendered the Service Contract. The limited term remaining in the SC 6-A until its expiry in February 2024 exacerbated by the Covid-19 situation, greatly hampered the timely execution of the programs that the Joint Venture envisage undertaking to pursue appraisal programs and potential development opportunities in the area. Following the above, as of December 31, 2021, the Group has written-off the ₱159.298 million deferred cost. The DOE formally approved the relinquishment of SC 6-A on September 5, 2022. PERC held a 16.667% participating interest in SC 6-A.



#### 14. Investments in Joint Venture and Business Combination

All joint ventures are incorporated in the Philippines. Details of the Company's investments with respective percentages of ownership follow:

|             | <b>Unaudited<br/>31-Mar-24</b> | Audited<br>31-Dec-23 |
|-------------|--------------------------------|----------------------|
| BUHAWIND EP | ₱1,234,000                     | ₱1,234,000           |
| BUHAWIND NL | 934,000                        | 934,000              |
| BUHAWIND NM | 714,000                        | 714,000              |
|             | <b>₱2,882,000</b>              | <b>₱2,882,000</b>    |

##### **BuhaWind NL, BuhaWind NM, and BuhaWind EP**

As disclosed in Note 1d, the SEC approved the incorporation of BuhaWind Energy entities. PGEC initially invested ₱420,000 for each of the Companies and accounted those as investments in joint venture.

Throughout 2022 and 2023, PGEC and CE proceeded with several feasibility studies for the three (3) offshore wind blocks, namely 1) desktop wind and met-ocean resource, 2) power market, and 3) desktop site characterization in preparation for detailed geophysical and geotechnical studies.

Specifically for the Northern Luzon block, PGEC and CE commenced with additional pre-development studies, namely 1) initial environmental pre-scoping, 2) SIS application with NGCP, and 3) initial discussions with contractors for on-site wind measurement campaign.

In 2023, PGEC made an addition investment of ₱1.70 million in BuhaWind Energy. Also, in 2023 PGEC sold 20% of its interest in BuhaWind Energy for ₱1.77 million which resulted to a gain of ₱1.69 million.

As of March 31, 2024 and December 31, 2023, these entities were still in the organizational stage and have not yet started its operations.

##### **PetroWind Energy Inc.**

Prior to May 2023, PetroGreen's 40% interest in PetroWind is accounted for as investment in joint venture. The other 60% interest is owned by EEIPC (20%) and BCPG Wind Cooperatief U.A. (40%).

As disclosed in Notes 1 and 5, the Group, through PGEC, consolidated PWEI starting May 2023 as the Group gained control over the relevant activities of PWEI.

In the process of consolidating PWEI, the net assets recognized in the 2023 consolidated financial statements were based on a provisional assessment of their fair value (please refer to Note 13 of the audited consolidated financial statements). A purchase price allocation study was conducted to evaluate the fair value of PWEI's net assets and set-up the identifiable intangible assets. Any excess amount of the fair value of the net assets and identifiable intangible assets over the PERC's acquisition cost from EEIPC and the carrying amount of PGEC's investment in PetroWind was recognized as Goodwill.

Based on the provisional valuation performed, the Group has identified an intangible asset which is the customer relationship with an estimated useful life of 27 years based on the remaining term of PWEI's service contract for the NWPP. The carrying value of customer relationship as of December 31, 2023 amounted to ₱302.55 million, net of amortization during the period amounting to ₱7.76 million (see Note 16).

Goodwill amounting to ₱741.45 million (see Note 16), which was determined provisionally, represents the fair value of expected synergies arising from the business acquisition of PWEI and is yet to be finalized. Management did not note any indicators of impairment on the provisional goodwill as of December 31, 2023. Impairment testing will commence in the period when the initial accounting will be finalized, which should not be more than 12 months from the date of acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

## 15. Leases

The Group entered into lease contracts for office spaces and land used as geothermal field and photovoltaic (PV) solar power facility. The office space lease agreements are for a period of two (2) years and are renewable by mutual agreement of both parties.

The land lease agreement (LLA) with NPC and PSALM for the geothermal field in Sto. Tomas, Batangas has a lease term of twenty-five (25) years, extendable for another 25 years upon mutual agreement of both parties.

The two lease agreements with Luisita Industrial Park Corporation (LIPCO) for land used for the photovoltaic solar power facility in Tarlac are for a period of 25 years, renewable by mutual agreement of both parties, generally under the same terms and conditions, with escalation clause of 3% every 2 years.

The Group's obligations under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets.

The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for all other leases, including leases of vehicles and parking slots.

The rollforward analyses of right-of-use assets follow:

|                                 | Unaudited<br>31-Mar-2024 |                  | Total               |
|---------------------------------|--------------------------|------------------|---------------------|
|                                 | Land                     | Office Spaces    |                     |
| <b>Cost</b>                     |                          |                  |                     |
| Beginning balance               | ₱420,180,224             | ₱16,609,844      | ₱436,790,068        |
| Additions                       | -                        | -                | -                   |
| Ending balance                  | 420,180,224              | 16,609,844       | 436,790,068         |
| <b>Accumulated depreciation</b> |                          |                  |                     |
| Beginning balance               | 100,632,211              | 13,263,394       | 113,895,605         |
| Depreciation (Notes 21 and 23)  | 3,973,453                | 1,921,882        | 5,895,335           |
| Ending balance                  | 104,605,664              | 15,185,276       | 119,790,940         |
| <b>Net Book Value</b>           | <b>₱315,574,560</b>      | <b>1,424,568</b> | <b>₱316,999,128</b> |

|                                 | Audited<br>31-Dec-2023 |               |              |
|---------------------------------|------------------------|---------------|--------------|
|                                 | Land                   | Office Spaces | Total        |
| <b>Cost</b>                     |                        |               |              |
| Beginning balance               | ₱420,180,224           | ₱12,748,688   | ₱432,928,912 |
| Additions                       | -                      | 3,861,156     | 3,861,156    |
| Ending balance                  | 420,180,224            | 16,609,844    | 436,790,068  |
| <b>Accumulated depreciation</b> |                        |               |              |
| Beginning balance               | 80,487,446             | 9,826,811     | 90,314,257   |
| Depreciation (Notes 21 and 23)  | 20,144,765             | 3,436,583     | 23,581,348   |
| Ending balance                  | 100,632,211            | 13,263,394    | 113,895,605  |
| Net Book Value                  | ₱319,548,013           | ₱3,346,450    | ₱322,894,463 |

The depreciation of the right-of-use of the lands in Tarlac and Batangas are presented as part of “Cost of electricity sales” while the depreciation of the right-of-use of office spaces are presented as part of “General and administrative expenses” in the consolidated statement of comprehensive income.

No lease liability was recognized for leases of land that have been prepaid. The rollforward analyses of lease liabilities are as follows:

|                      | Unaudited<br>31-Mar-24 | Audited<br>31-Dec-23 |
|----------------------|------------------------|----------------------|
| Beginning balance    | ₱324,638,301           | ₱328,794,340         |
| Payments             | (911,070)              | (38,214,856)         |
| Interest expense     | 7,474,495              | 30,197,662           |
| Additions            | -                      | 3,861,155            |
| Ending balance       | 331,201,726            | 324,638,301          |
| Less current portion | 61,319,984             | 54,756,559           |
| Noncurrent portion   | ₱269,881,742           | ₱269,881,742         |

## 16. Intangible Assets and Goodwill

|                                  | Unaudited<br>31-Mar-2024 |                       |              |                    |                     | Total          |
|----------------------------------|--------------------------|-----------------------|--------------|--------------------|---------------------|----------------|
|                                  | Goodwill                 | Customer Relationship | Land Rights  | Production License | Software and Others |                |
| <b>Cost:</b>                     |                          |                       |              |                    |                     |                |
| Balances at beginning of year    | ₱741,446,021             | ₱310,311,852          | ₱153,277,610 | ₱45,074,178        | ₱47,964,856         | ₱1,298,074,517 |
| Additions                        | -                        | -                     | -            | -                  | 47,091              | 47,091         |
| Balances at end of year          | 741,446,021              | 310,311,852           | 153,277,610  | 45,074,178         | 48,011,947          | 1,298,121,608  |
| <b>Accumulated Amortization:</b> |                          |                       |              |                    |                     |                |
| Balances at beginning of year    | -                        | 7,757,796             | 48,555,042   | 23,114,965         | 46,233,347          | 125,661,150    |
| Amortization                     | -                        | 2,909,174             | 1,532,776    | 1,155,748          | 505,518             | 6,103,216      |
| Balances at end of year          | -                        | 10,666,970            | 50,087,818   | 24,270,713         | 46,738,865          | 131,764,366    |
| Net Book Values                  | ₱741,446,021             | ₱299,644,882          | ₱103,189,792 | ₱20,803,465        | ₱1,273,082          | ₱1,166,357,242 |

|                                | Audited      |                       |              |                    |                     | Total          |
|--------------------------------|--------------|-----------------------|--------------|--------------------|---------------------|----------------|
|                                | 31-Dec-2023  |                       |              |                    |                     |                |
|                                | Goodwill     | Customer Relationship | Land Rights  | Production License | Software and Others |                |
| Cost:                          |              |                       |              |                    |                     |                |
| Balances at beginning of year  | ₱-           | ₱-                    | ₱152,249,710 | ₱45,074,178        | ₱45,093,625         | ₱242,417,513   |
| Additions                      | -            | -                     | 1,027,900    | -                  | 2,871,231           | 3,899,131      |
| Business combination (Note 14) | 741,446,021  | 310,311,852           | -            | -                  | -                   | 1,051,757,873  |
| Balances at end of year        | 741,446,021  | 310,311,852           | 153,277,610  | 45,074,178         | 47,964,856          | 1,298,074,517  |
| Accumulated Amortization:      |              |                       |              |                    |                     |                |
| Balances at beginning of year  | -            | -                     | 42,122,421   | 18,491,972         | 41,540,627          | 102,155,020    |
| Amortization                   | -            | 7,757,796             | 6,432,621    | 4,622,993          | 4,692,720           | 23,506,130     |
| Balances at end of year        | -            | 7,757,796             | 48,555,042   | 23,114,965         | 46,233,347          | 125,661,150    |
| Net Book Values                | ₱741,446,021 | ₱302,554,056          | ₱104,722,568 | ₱21,959,213        | ₱1,731,509          | ₱1,172,413,367 |

Goodwill and customer relationship were recognized from business combination in 2023 (Note 14).

Intangible assets (other than from business combination) pertain to land rights, which refers to grant of easement of right of way entered by PetroSolar to construct, operate, maintain, repair, replace and remove poles, wire, cables, apparatus, and equipment and such other apparatus and structures needed for the transmission line. This also includes production license and software for accounting and for geological interpretation of Gabon Etame oil fields.

## 17. Investment Properties

As of March 31, 2024 and December 31, 2023 this account consists of land and parking lot space (located in Tektite) with cost amounting to ₱1.61 million.

The fair values of the investment properties of the Group are between ₱1 million to ₱1.70 million as of March 31, 2024 and December 31, 2023. The Group determined the fair values of the Group's investment properties on the basis of recent sales of similar properties in the area where the investment in properties is located and taking into account the economic conditions prevailing at the time the valuations were made.

As of March 31, 2024 and December 31, 2023, the fair value of the investment properties is classified under the Level 3 category (see Note 24).

Except for insignificant amounts of real property taxes on the investment properties, no other expenses were incurred, and no income was earned in relation to the investment properties.

## 18. Other Noncurrent Assets

|                                    | Unaudited<br>31-Mar-2024 | Audited<br>31-Dec-2023 |
|------------------------------------|--------------------------|------------------------|
| Deferred development costs         | ₱654,889,511             | ₱560,886,192           |
| Advances to contractors            | 461,496,087              | 406,420,331            |
| Input VAT                          | 457,835,569              | 432,536,352            |
| Restricted cash                    | 17,563,550               | 17,297,610             |
| Others                             | 30,467,950               | 30,879,118             |
|                                    | 1,622,252,667            | 1,448,019,603          |
| Less allowance for probable losses | 3,420,964                | 2,447,001              |
|                                    | ₱1,618,831,703           | ₱1,445,572,602         |

Provision for probable losses on input VAT amounted to ₱3.42 million and to ₱2.45 million in March 31, 2024 and December 31, 2023, respectively.

*Input VAT*

Input VAT represents VAT passed on from purchases of goods and services that can be claimed against any future liability to the BIR for output VAT from sale of goods and services.

Input VAT also includes outstanding input VAT claims that were applied or in the process of application by MGI and PWEI for refund with the BIR. As of March 31, 2024 and December 31, 2023, the outstanding input VAT claims which are still pending with the CTA and SC amounted to ₱98.79 million.

*Advances to contractors*

Advances to contractors pertain to the downpayments to various contractors for procurement of materials, equipment and services.

*Restricted cash*

This pertains to the Parent Company's share in the non-current portion of escrow fund for the abandonment of the Etame Marine Permit.

*Deferred development costs*

These pertain to costs incurred in the exploration, development, production and expansion of renewable energy projects.

*Others*

Other noncurrent assets pertain to noncurrent portion of prepaid insurance, security deposits, advances to contractors and lot owners and balance of MERALCO account billing deposits.

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**19. Accounts Payable and Accrued Expenses**

|  | <b>Unaudited</b>    | Audited             |
|--|---------------------|---------------------|
|  | <b>31-Mar-2024</b>  | 31-Dec-2023         |
| Accounts payable                         | <b>₱281,202,810</b> | <b>₱376,970,153</b> |
| Accrued expenses                         |                     |                     |
| Utilities                                | <b>175,806,811</b>  | 176,168,939         |
| Interest (Note 20)                       | <b>119,406,723</b>  | 102,024,402         |
| Deferred development cost                | <b>19,630,815</b>   | 34,339,951          |
| Sick/vacation leaves                     | <b>18,497,116</b>   | 22,259,971          |
| Profit share                             | <b>15,278,985</b>   | 15,278,985          |
| Professional fees                        | <b>8,655,890</b>    | 9,429,903           |
| Operations and maintenance               | <b>12,628,038</b>   | 3,649,721           |
| Due to related party (Note 23)           | <b>218,400</b>      | 72,800              |
| Others                                   | -                   | 1,291,600           |
| Withholding taxes and other tax payables | <b>20,322,815</b>   | 25,481,621          |
| Provision for probable loss              | -                   | 7,344,223           |
| Due to NRDC                              | <b>2,269,737</b>    | 2,269,737           |
| Others                                   | <b>13,744,101</b>   | 21,470,758          |
|  | <b>₱687,662,241</b> | <b>₱798,052,764</b> |

Accounts payable mainly consists of payable to suppliers and contractors that are currently involved in the development, construction and operations of energy projects. Accounts payable also includes unclaimed checks pertaining to dividends payable amounting to ₱33.59 million and ₱33.93 million as of March 31, 2024 and December 31, 2023, respectively.

The Group's accounts payable and accrued expenses are due within one year.

## 20. Loans Payable

The Group's loans payable as of March 31, 2024 and December 31, 2023 is as follows:

|   | Unaudited<br>31-Mar-2024 | Audited<br>31-Dec-2023 |
|---|--------------------------|------------------------|
| Principal, balance at beginning of year                           | ₱7,936,435,793           | ₱3,488,375,640         |
| Add availments during the year                                    | 2,012,500,000            | 3,946,036,089          |
| Effect of business combination                                    | -                        | 1,774,159,119          |
| Less principal payments during the year                           | 2,130,986,646            | 1,272,135,055          |
| Principal, balance at end of year                                 | 7,817,949,147            | 7,936,435,793          |
| Less unamortized deferred financing cost                          | 55,712,546               | 58,271,273             |
|   | 7,762,236,601            | 7,878,164,520          |
| Less current portion – net of unamortized deferred financing cost | 1,691,082,703            | 3,699,707,830          |
| Noncurrent portion  | ₱6,071,153,898           | ₱4,178,456,690         |

### *PetroEnergy's short-term loans payable*

PetroEnergy entered into unsecured loan agreements to finance its investments in Renewable Energy Projects.

#### Omnibus Credit Line Agreement (OCLA) with the Development Bank of the Philippines (DBP)

On April 27, 2015, the Parent Company entered into an OCLA with DBP which provides a credit facility in the principal amount not exceeding ₱420 million. Effective January 19, 2021, the credit facility was decreased to ₱300 million. Loans payable to DBP as of December 31, 2022 are as follows:

- ₱63 million with interest rate of 5.8% and maturity on January 10, 2023
- ₱108 million with interest rate of 5.5% and maturity on January 26, 2023
- ₱80 million with interest rate of 5.8% and maturity on June 23, 2023

In 2023, the Parent Company already paid the outstanding short-term loans from DBP.

#### Short-Term Loan Facility with the Bank of the Philippine Island (BPI)

On April 19, 2023, the Parent Company entered into a short-term loan facility with BPI which provides a principal amount not exceeding ₱2.6 billion plus P1.0 billion blanket line with 1 year validity. Loans payable to BPI as of December 31, 2023 are as follows:

- ₱200 million with interest rate of 7.00% and maturity on April 11, 2024
- ₱551.52 million with interest rate of 7.00% and maturity on May 2, 2024
- ₱61.26 million with interest rate of 7.00% and maturity on February 28, 2024
- ₱1.25 billion with interest rate of 7.50% and maturity on January 31, 2024
- ₱422.51 million with interest rate of 7.50% and maturity on January 31, 2024

- ₱272.86 million with interest rate of 7.50% and maturity on January 31, 2024

On January 28, 2024, the Parent Company secured a 10-year long-term loan facility from BPI amounting to ₱2.55 billion with the following drawdown and with maturity date of January 31, 2034:

- ₱1.95 billion with interest rate of 7.2984%; Promissory Note (PN) Date: January 31, 2024
- ₱62.5 million with interest rate of 7.4449%; PN Date: February 28, 2024

The proceeds were used to settle the short-term loans due in January to April 2024.

#### Short-term Loan with Rizal Commercial Banking Corporation (RCBC)

In 2020, the Parent Company obtained a clean loan from RCBC amounting to ₱150.00 million with interest rate of 4.5%, which was paid in 2021.

On November 15, 2021, PetroEnergy obtained a loan from RCBC amounting to ₱120.00 million with interest of 4.5%, which was paid in 2022.

Interest expense related to these loans amounted to ₱50.73 million and ₱107.76 million in March 31, 2024 and December 31, 2023, respectively. Accrued interest payable amounted to ₱28.41 million and ₱27 million as of December 31, 2023 (see Note 19).

#### ***PetroGreen's long-term loans payable***

##### Long-term loan with RCBC

On November 16, 2020, PetroGreen obtained a new long-term unsecured loan from RCBC amounting to ₱400.00 million. The loan bears interest at a fixed rate of 4.74% payable semi-annually. The principal amount is payable in five equal annual installments starting November 11, 2021.

As of March 31, 2024 and December 31, 2023, the outstanding balance of these loans, net of unamortized deferred financing costs, amounted to ₱159.66 million and ₱159.56 million, respectively.

Interest expense of PetroGreen related to these loans amounted to ₱2.11 million, ₱12.06 million in March 31, 2024 and December 31, 2023, respectively. Accrued interest payable amounted to ₱2.56 million and ₱0.85 million as of March 31, 2024 and December 31, 2023, respectively (see Note 19).

#### ***MGI's long-term loans payable***

##### Project Loan Facility Agreements with RCBC

On May 19, 2016, MGI, together with PetroGreen, PHINMA and PNOC RC executed the Project Loan Facility Agreement with RCBC for a ₱1,400.00 million project loan to finance the design, development and construction of MGPP-2 or M2.

On September 5, 2016, MGI, together with PetroGreen, PHINMA and PNOC RC executed another Project Loan Facility Agreement with RCBC for a ₱2,100.00 million project loan to finance the design, development and construction of MGPP-1 or M1. This was done to consolidate the outstanding principal of the term loan under the 2011 OLSA with RCBC and BPI, incidental costs, general corporate expenditures and working capital requirement.

##### MGPP-1 or M1 new Loan

The new MGPP-1 or M1 loan amounting to ₱2,100.00 million has a term of ten (10) years from the drawdown date of October 10, 2016. Interest and principal are payable semi-annually. Interest payment started on October 12, 2016, while the twenty (20) semi-annual principal payments started on April 12, 2017.

Interest rate is fixed for the first five (5) years from drawdown date, based on the sum of the prevailing 5-year fixed benchmark rate on the pricing date and the margin of 1.75% (the “Initial Interest Rate”). On the repricing date, the interest for the remaining five (5)-year term of the loan will be the higher of (i) the sum of then prevailing 5-year fixed benchmark rate plus the margin of 1.75%, or (ii) the initial interest rate.

Interest expense recognized from the loan amounted to ₱12.14 million, ₱57.70 million March 31, 2024 and December 31, 2023, respectively.

MGPP-2 or M2 Expansion Loan

The MGPP-2 or M2 Expansion Loan amounting to ₱1,400.00 million has a term of twelve (12) years including thirty-six (36) months grace period from initial drawdown date of June 2, 2016. Interest and principal are payable semi-annually. Interest payment started on October 12, 2016, while the eighteen (18) semi-annual principal payments started on October 12, 2019.

Interest rate is fixed for the first seven (7) years from the initial drawdown date based on the sum of the prevailing 7-year fixed benchmark rate on the pricing date and the applicable margin of (1) 2.25% per annum prior to commercial operations date, or (2) 1.75% per annum from and after the Commercial Operations Date (the “Initial Interest Rate”). For subsequent drawdowns, interest rate will be the three (3) –day simple average interpolated rate based on the remaining tenor and computed using the straight-line method. On the repricing date, the interest for the remaining five (5)-year term of the loan will be the higher of (i) the sum of the then prevailing 5-Year fixed benchmark rate plus the applicable margin, or (ii) the weighted average interest rate during the first seven (7) years of the loan. Interest expense amounted to ₱43.15 million, ₱75.00 million and ₱83.46 million in 2023, 2022 and 2021 respectively.

Accrued interest payable of MGI’s loans amounted to ₱43.99 million and ₱20.58 million as of March 31, 2024 and December 31, 2023, respectively (see Note 19).

As of March 31, 2024 and December 31, 2023 the total outstanding balance of these loans amounted to ₱1,574.09 million and ₱1,572.86 million respectively.

The loan covenants covering the outstanding debt of MGI include, among others, the following conditions: maintenance at all times of Debt-to-Equity (DE) Ratio of not greater than 70:30, Default Debt Service Coverage Ratio (DSCR) of at least 1.10x both until full payment of the Loans, and Dividend DSCR of at least 1.20x. MGI is also required to transfer in the DSPA equivalent to one-sixth (1/6) of the amount sufficient to pay for the forthcoming debt service scheduled in April and October of every year until the loan is fully paid off (see Note 7). As of March 31, 2024 and December 31, 2023, MGI has been compliant with the above conditions.

***PetroSolar’s long-term loans payable***

On November 12, 2015, the PetroSolar, together with PetroGreen and EEIPC, as third party mortgagors and pledgors, entered into a ₱2,600.00 million OLSA with PNB and DBP specifically to partially finance the design, development, procurement, construction, operation and maintenance of its TSPP.

PetroSolar shall fully pay the loan for the pro-rata account of each lender within twelve (12) years from and after the date of the initial drawdown. Interest and principal are payable semi-annually. Interest payment started on May 27, 2016, while the twenty-two (22) semi-annual principal payments started on November 27, 2016.

The rate of the interest applicable to the facility or the relevant part thereof for each interest period shall be fixed for the first seven periods (7) from the initial drawdown date (the Initial Interest Rate). Prior to the FIT entitlement and collection of FIT revenues of the borrower, the rate shall be the higher of:



(i) the aggregate of the seven (7) year PDST-R2 and the initial credit spread of 2.25%, or (ii) the minimum interest rate of 5.75%. Upon FIT entitlement of at least 40MW and collection of FIT revenues by the borrower equivalent to an aggregate of at least ₱473.00 million within a period not exceeding twelve (12) consecutive months, the rate shall be the higher of (i) the weighted average interest rate in previous drawdowns less the step down credit spread of 0.25%, or (ii) minimum interest rate, and which interest rate shall be applied beginning the following month immediately succeeding the month wherein the aforesaid FIT entitlement and FIT revenue collection thresholds were satisfied. PetroSolar met the criteria for FIT entitlement and aggregate collection of at least ₱473 million within 12 months which resulted to a lower interest rate effective July 2017.

On November 25, 2022, the OLSA reached the 7<sup>th</sup> year of its term. The repricing date, based on the OLSA, shall occur by the end of the 7<sup>th</sup> year from the initial drawdown date, on which date, the interest rate for the remaining five (5) year tenor will be repriced. The new applicable interest rate is 9.12% after the repricing. This was renegotiated to be reduced from 9.12% to 8.59% which was approved by the bank and made effective starting May 26, 2023. The applicable interest rate as of December 31, 2023 and 2022 is equal to 8.59% and 9.12%, respectively.

The loan covenants covering the outstanding debt of PetroSolar include, among others, maintenance of debt-to-equity ratio of 75:25 and establishment of DSPA required balance (see Note 7). As of March 31, 2024 and December 31, 2023, PetroSolar is in compliance with the said loan covenants.

As of March 31, 2024 and December 31, 2023, the outstanding balance of this loan amounted to ₱ 784.93 million and ₱783.88 million, respectively.

Interest expense of PetroSolar related to the loans amounted to ₱26.20 million, ₱89.63 million in March 31, 2024 and December 31, 2023, respectively. Accrued interest payable amounted to ₱20.57 million and ₱5.95 million as of March 31, 2024 and December 31, 2023, respectively (see Note 19).

PetroSolar mortgaged all of its property and equipment related to TSPP-1 as collateral in connection with the loan (see Note 12).

### ***PetroWind long-term loans***

#### **NWPP-1**

On November 4, 2013, PetroWind entered into ₱2.80 billion OLSA with DBP to finance the NWPP-1. Subsequently, on June 4, 2015, an amended agreement was entered between PetroWind and DBP for an increase in credit line amounting to ₱200.00 million.

The loan shall be fully paid and liquidated in 15 years from and after the date of initial borrowing. Principal and interest shall be repaid in 25 equal semi-annual installments with its first principal and interest payment made last January 10, 2017.

The rate of interest to be paid on interest date is 6.32% per annum, equal to benchmark rate plus 225 basis points (bps) per annum or 5.50% per annum, whichever is higher, subject to repricing every 5 years. The new interest rate after the first repricing date last January 10, 2019 is 9.01% per annum. This was renegotiated to be reduced from 9.01% to the higher between the benchmark rate plus 125 bps per annum or 7.00% per annum. The reduced interest rate of 7.31% per annum was approved by the bank and made effective starting January 10, 2024. This amendment did not result to the extinguishment of the loan.

The total interest expense incurred amounted to ₱23.91 million and ₱98.73 million in March 31, 2024 and December 31, 2023, respectively. Interest payable amounted to (₱23.78 million) and 47.65 million as of March 31, 2024 and December 31, 2023, respectively. (see Note 19).

#### NWPP-2

On February 22, 2023, PetroWind entered into ₱1.81 billion OLSA with DBP to finance the NWPP-2. The principal shall be payable in twenty-five (25) equal semi-annual installments in arrears to commence at the earlier of thirty-sixth (36<sup>th</sup>) month from initial drawdown or six (6) months from COD until fully paid. The interest shall be for fixed two (2) years based on the higher of 2-year BVAL plus 1.0% p.a. or 6.25% p.a. determined at the time of drawdown subject to repricing.

PetroWind has drawn a total of ₱1.35 billion as of March 31, 2024 and December 31, 2023. The remaining balance will be subsequently drawn in 2024.

The total interest expense incurred amounted to ₱24.38 million and ₱35.97 million in March 31, 2024 and December 31, 2023, respectively.

For NWPP-1 and NWPP-2, the loan covenants require PetroWind to maintain a debt-to-equity ratio of 70:30 and maintain a DSRA required balance equivalent to one principal plus one interest amortization at all times until full settlement of the loan. As of March 31, 2024, PetroWind is in compliance with the said loan covenants.

PetroWind pledged all of its property and equipment items as collateral to secure its borrowings (see Note 12).

#### *Deferred financing costs*

Deferred financing costs are incidental costs incurred in obtaining the loan which includes documentary stamp tax, transfer tax, chattel mortgage, real estate mortgage, professional fees, arranger's fee and other costs directly attributable to obtaining the loan. The balance of unamortized deferred financing costs is presented as a deduction from the loans payable account and is amortized over the term of the loan using the effective interest rate method.

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## 21. Asset Retirement Obligation

The Group has recognized its share in the abandonment costs associated with the Etame, Avouma and Ebouri oilfields located in Gabon, West Africa, geothermal field located in Sto. Tomas Batangas, photovoltaic (PV) solar power facility in Tarlac, and wind farm in Nabas and Malay, Aklan.

Movements in this account follow:

|                               | <b>Unaudited</b>    | Audited             |
|-------------------------------|---------------------|---------------------|
|                               | <b>31-Mar-2024</b>  | 31-Dec-2023         |
| Balance at beginning of year  | <b>₱167,532,915</b> | <b>₱66,230,330</b>  |
| Additions                     | –                   | <b>37,661,653</b>   |
| Change in estimates (Note 12) | –                   | <b>56,701,174</b>   |
| Accretion expense             | <b>3,199,041</b>    | <b>6,944,814</b>    |
| Foreign exchange adjustment   | <b>617,415</b>      | <b>(5,056)</b>      |
| Balance at end of year        | <b>₱171,349,371</b> | <b>₱167,532,915</b> |

## 22. Equity

Under the existing laws of the Republic of the Philippines, at least 60% of the Parent Company's issued capital stock should be owned by citizens of the Philippines for the Parent Company to own and hold any mining, petroleum or renewable energy contract area. As of March 31, 2024, the total issued and subscribed capital stock of the Parent Company consists of 99.79% Filipino and 0.21% non-Filipino as compared to 99.83% Filipino and 0.17% non-Filipino as of December 31, 2023.

As of March 31, 2024 and December 31, 2023, paid-up capital consists of:

|                                 |                |
|---------------------------------|----------------|
| Capital stock – ₱1 par value    |                |
| Authorized – 700,000,000 shares |                |
| Issued and outstanding          | ₱568,711,842   |
| Additional paid-in capital      | 2,156,679,049  |
|                                 | ₱2,725,390,891 |

The Group's track record of capital stock follows:

|   | Number of<br>shares registered | Issue/offer price | Date of SEC<br>approval | Number of<br>holders<br>as of year-end |
|---|--------------------------------|-------------------|-------------------------|--|
| Listing by way of introduction -<br>August 11, 2004 | 84,253,606                     | ₱3/share          | August 4, 2004          |  |
| Add (deduct):                                       |                                |                   |                         |  |
| 25% stock dividend                                  | 21,063,402                     | ₱1/share          | September 6, 2005       |  |
| 30% stock dividend                                  | 31,595,102                     | ₱1/share          | September 8, 2006       |  |
| 1:1 stock rights offering                           | 136,912,110                    | ₱5/share          | May 26, 2010            |  |
| December 31, 2010                                   | 273,824,220                    |                   |                         | 2,149                                  |
| Deduct: Movement                                    | -                              |                   |                         | (26)                                   |
| December 31, 2011                                   | 273,824,220                    |                   |                         | 2,123                                  |
| Deduct: Movement                                    | -                              |                   |                         | (10)                                   |
| December 31, 2012                                   | 273,824,220                    |                   |                         | 2,113                                  |
| Deduct: Movement                                    | -                              |                   |                         | (41)                                   |
| December 31, 2013                                   | 273,824,220                    |                   |                         | 2,072                                  |
| Deduct: Movement                                    | -                              |                   |                         | (29)                                   |
| December 31, 2014                                   | 273,824,220                    |                   |                         | 2,043                                  |
| Add (Deduct):                                       |                                |                   |                         |  |
| 2:1 stock rights offering                           | 136,912,110                    | ₱4.38/share       | June 3, 2015            | (15)                                   |
| December 31, 2015                                   | 410,736,330                    |                   |                         | 2,028                                  |
| Deduct: Movement                                    | -                              |                   |                         | (1)                                    |
| December 31, 2016                                   | 410,736,330                    |                   |                         | 2,027                                  |
| Deduct: Movement                                    | -                              |                   |                         | (15)                                   |
| December 31, 2017                                   | 410,736,330                    |                   |                         | 2,012                                  |
| Add (Deduct):                                       |                                |                   |                         |  |
| 1.2:6 stock rights offering                         | 157,975,512                    | ₱4.8/share        | January 8, 2018         | (8)                                    |
| December 31, 2018                                   | 568,711,842                    |                   |                         | 2004                                   |
| Deduct: Movement                                    | -                              |                   |                         | (5)                                    |
| December 31, 2019                                   | 568,711,842                    |                   |                         | 1,999                                  |
| Deduct: Movement                                    | -                              |                   |                         | (1)                                    |
| December 31, 2020                                   | 568,711,842                    |                   |                         | 1,998                                  |
| Deduct: Movement                                    | -                              |                   |                         | (5)                                    |
| December 31, 2021                                   | 568,711,842                    |                   |                         | 1,993                                  |
| Deduct: Movement                                    | -                              |                   |                         | (2)                                    |
| December 31, 2022                                   | 568,711,842                    |                   |                         | 1,991                                  |
| Deduct: Movement                                    | -                              |                   |                         | -                                      |
| December 31, 2023                                   | 568,711,842                    |                   |                         | 1,991                                  |
| Deduct: Movement                                    | -                              |                   |                         | (3)                                    |
| March 31, 2024                                      | 568,711,842                    |                   |                         | 1,988                                  |

On July 26, 2017, at the BOD meeting, the Parent Company was authorized to raise approximately one billion pesos (₱1,000,000,000) in capital, by offering and issuing to all eligible stockholders as of record date, the rights to subscribe up to all of the existing unissued common shares of the Parent Company (“Stock Rights Offer”).

On September 29, 2017, the Parent Company filed its application for the listing and trading of rights shares with the PSE. On December 13, 2017, the PSE approved the application to list the Rights Shares.

The rights offer entitled eligible stockholders as of record date of January 12, 2018 to subscribe to one rights share for every 2.6 shares held at an offer price of ₱4.80 per share.

The rights offer was undertaken on January 22 to 26, 2018. Following the close of the offer period, the Parent Company successfully completed the stock rights offer for 157,975,512 common shares with gross proceeds of ₱758.28 million and was subsequently listed on the PSE on February 2, 2018.

The proceeds from the stock rights offer were used for the development and expansion plans of the Group’s renewable energy projects, general corporate requirements, and payments of loans and the related interest.

On July 28, 2022, the BOD of PERC approved the declaration of 5% cash dividend or ₱0.05 per share to all stockholders of record as of August 15, 2022 and payable on September 8, 2022.

On November 29, 2023, the BOD of PERC approved the declaration of 5% cash dividend or ₱0.05 per share to all stockholders of record as of December 14, 2023 and payable on December 28, 2023.

*Cumulative Translation Adjustment*

In 2018, because of the change in business circumstances of the Parent Company, management changed its functional currency from United States Dollar (USD) to PHP effective January 31, 2018. All resulting exchange differences in the remeasurement of USD balances to PHP balances were recognized as ‘Cumulative Translation Adjustment’.

*Equity Reserve and Deposit for Future Stock Subscription*

On June 9, 2015, PetroEnergy sold its 10% interest in PetroGreen to EEIPC, bringing its ownership in PetroGreen from 100% to 90%. The transaction was accounted as an equity transaction since there was no change in control.

The effect of change in the ownership interest in PetroGreen on the equity attributable to owners of PetroEnergy as a result of the sale of 10% to EEI is summarized as follows:

|  |                    |
|--|--------------------|
| Consideration received from NCI                              | ₱206,000,000       |
| Carrying amount of NCI sold                                  | (125,950,762)      |
| <u>Excess of consideration received recognized in equity</u> | <u>₱80,049,238</u> |

On October 14, 2022, PetroGreen issued 363,244,840 shares to Kyuden resulting in the decrease in the ownership interest of PetroEnergy in PetroGreen from 90% to 76.92%. The transaction was accounted as an equity transaction since there was no loss of control.

The effect of change in the ownership interest in PetroGreen on the 2022 equity attributable to owners of PetroEnergy is summarized as follows:

|  |                     |
|--|---------------------|
| Consideration received from NCI                              | ₱1,687,431,477      |
| Carrying amount of NCI sold                                  | (1,030,763,729)     |
| <u>Excess of consideration received recognized in equity</u> | <u>₱656,667,748</u> |

In January 2023, the Group classified the 2022 deposit for stock subscription received from Kyuden under escrow fund (Note 7) amounting to ₱1.63 billion into NCI and Equity Reserve (excess of consideration over carrying value of NCI sold) after Kyuden acquired the 10.47% additional ownership interest in PGEC through completion of all the requirements in the subscription agreement. The deposit for future stock subscription is considered a non-cash financing activity in 2022. Kyuden's ownership interest as of December 31, 2023 in PGEC is 25%.

The effect of change in the ownership interest in PetroGreen on the 2023 equity attributable to owners of PetroEnergy is summarized as follows:

|  |                     |
|--|---------------------|
| Consideration received from NCI*                             | ₱1,634,762,579      |
| Carrying amount of NCI sold                                  | (925,716,414)       |
| <u>Excess of consideration received recognized in equity</u> | <u>₱709,046,165</u> |

\*Net of equity transaction cost amounting to ₱16.29 million

The effect of change in the ownership interest in PetroSolar on the equity attributable to owners of PetroEnergy as a result of PERC's acquisition of EEIPC's 44% interest (Note 1c) is summarized as follows:

|  |                     |
|--|---------------------|
| Consideration  | ₱1,443,942,735      |
| Carrying amount of NCI acquired                          | (1,285,392,308)     |
| <u>Excess of consideration paid recognized in equity</u> | <u>₱158,550,427</u> |

The effect of change in the ownership interest in PetroGreen on the equity attributable to owners of PetroEnergy as a result of PERC's acquisition of EEIPC's 7.5% interest (Note 1c) is summarized as follows:

|   |                      |
|---|----------------------|
| Consideration   | ₱521,211,059         |
| Carrying amount of NCI acquired                       | (568,948,930)        |
| <u>Excess of carrying amount recognized in equity</u> | <u>(₱47,737,871)</u> |

As of March 31, 2024 and December 31, 2023, the balance of equity reserve account amounts to ₱1,334.95 million.

#### *Capital Management*

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may increase its debt from creditors, adjust the dividend payment to shareholders or issue new shares.

As of March 31, 2024 and December 31, 2023, the Group monitors capital using a debt-to-equity ratio, which is total liabilities divided by total equity.

*Capital Management*

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders’ value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may increase its debt from creditors, adjust the dividend payment to shareholders or issue new shares.

As of March 31, 2024 and December 31, 2023, the Group analyzes its capital structure primarily through the debt-to-equity ratio, which is total liabilities divided by total equity.

The Group’s sources of capital as of March 31, 2024 and December 31, 2023 are as follows:

|                            | <b>Unaudited</b>       | Audited                 |
|----------------------------|------------------------|-------------------------|
|                            | <b>31-Mar-2024</b>     | 31-Dec-2023             |
| Loans payable              | <b>₱7,762,236,601</b>  | <b>₱7,878,164,520</b>   |
| Capital stock              | <b>568,711,842</b>     | <b>568,711,842</b>      |
| Additional paid-in capital | <b>2,156,679,049</b>   | <b>2,156,679,049</b>    |
| Retained earnings          | <b>3,855,352,878</b>   | <b>3,669,829,291</b>    |
| Equity reserve             | <b>1,334,950,575</b>   | <b>1,334,950,575</b>    |
|                            | <b>₱15,677,930,945</b> | <b>₱ 15,608,335,277</b> |

The table below demonstrates the debt-to-equity ratio of the Group as of March 31, 2024 and December 31, 2023:

|                      | <b>Unaudited</b>      | Audited               |
|----------------------|-----------------------|-----------------------|
|                      | <b>31-Mar-2024</b>    | 31-Dec-2023           |
| Total liabilities    | <b>₱9,027,871,450</b> | <b>₱9,213,321,206</b> |
| Total equity         | <b>12,990,791,580</b> | <b>12,668,968,405</b> |
| Debt-to-equity ratio | <b>0.69:1</b>         | <b>0.73:1</b>         |

Based on the Group’s assessment, the capital management objectives were met on March 31, 2024 and December 31, 2023.

**23. Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred to as ‘Affiliates’). Related parties may be individuals or corporate entities.

Significant transactions with related parties are as follows:

| <b>Related Party/Nature</b>      | <b>Transactions for the Period</b> |                  | <b>Outstanding Balance</b> |                  | <b>Terms and Conditions</b> |
|----------------------------------|------------------------------------|------------------|----------------------------|------------------|-----------------------------|
|                                  | <b>31-Mar-24</b>                   | <b>31-Dec-23</b> | <b>31-Mar-24</b>           | <b>31-Dec-23</b> |                             |
| <b>Investor</b>                  |                                    |                  |                            |                  |                             |
| <b>House of Investments, Inc</b> |                                    |                  |                            |                  |                             |
| Internal audit services          | <b>₱218,400</b>                    | ₱873,600         | <b>₱218,400</b>            | ₱–               | Note a                      |
| <b>Joint Venture</b>             |                                    |                  |                            |                  |                             |
| <b>PetroWind</b>                 |                                    |                  |                            |                  |                             |

| <b>Related Party/Nature</b> | <b>Transactions for the Period</b> |                  | <b>Outstanding Balance</b>                        |                  | <b>Terms and Conditions</b> |
|-----------------------------|------------------------------------|------------------|---|------------------|-----------------------------|
|                             | <b>31-Mar-24</b>                   | <b>31-Dec-23</b> | <b>Receivables (Payables)</b><br><b>31-Mar-24</b> | <b>31-Dec-23</b> |                             |
| Rental income               | –                                  | 285,714          | –   | –                | Note b                      |
| Timewriting fee             | –                                  | 5,539,939        | –   | –                | Note c                      |
| Management income           | –                                  | 666,667          | –   | –                | Note c                      |
| Advances – receivable       | –                                  | 2,334,037        | –   | –                | Note d                      |
|                             |                                    |                  | –   | –                |                             |

**Affiliate**

**AC Energy Corporation**

**(ACEN)**

|  |                    |               |                    |             |        |
|--|--------------------|---------------|--------------------|-------------|--------|
| Electricity sales                                  | <b>249,643,833</b> | 1,027,174,970 | <b>100,304,585</b> | 101,935,010 | Note e |
| Pass-on Wheeling, Ancillary & Transmission Charges | <b>16,411,952</b>  | 50,560,116    | <b>3,371,535</b>   | 3,464,223   | Note e |

**103,676,120** 105,399,233

**Affiliate**

**EEI Power Corporation**

|              |           |           |           |                 |        |
|--------------|-----------|-----------|-----------|-----------------|--------|
| Other income | <b>P-</b> | <b>P-</b> | <b>P-</b> | <b>P683,200</b> | Note f |
|--------------|-----------|-----------|-----------|-----------------|--------|

**Affiliate**

**LIPCO**

|            |           |                    |          |           |        |
|------------|-----------|--------------------|----------|-----------|--------|
| Land lease | <b>P-</b> | <b>P34,086,297</b> | <b>-</b> | <b>P-</b> | Note g |
|------------|-----------|--------------------|----------|-----------|--------|

**Affiliate**

**Enrique T. Yuchengco, Inc.**

|               |                |         |                |         |        |
|---------------|----------------|---------|----------------|---------|--------|
| Rental income | <b>706,003</b> | 929,657 | <b>250,838</b> | 455,165 | Note j |
|---------------|----------------|---------|----------------|---------|--------|

- PetroEnergy has an Internal Audit Engagement arrangement with House of Investments, Inc. (HI). These are non-interest bearing and are due and demandable.
- PetroGreen charges rental fees to PetroWind amounting to ₱71,429 every month. These are non-interest bearing and payable when due and demandable. Since PetroWind is already consolidated, this transaction is already eliminated as of March 31, 2024.
- Timewriting fees are charged by PetroGreen for accounting, legal management and other support services rendered to PetroWind. Management income refers to charges by PetroEnergy to PetroWind. These are non-interest bearing and are due and demandable. Since PetroWind is already consolidated, this transaction is already eliminated as of March 31, 2024.
- Advances represent reimbursements of costs and expenses. Since PetroWind is already consolidated, this transaction is already eliminated as of March 31, 2024.
- Electricity sales to ACEN (formerly PHINMA) is pursuant to the Electricity Supply Agreement. This is due and payable on the last business day of the month succeeding the billing period and non-interest bearing if paid within the due date.
- PetroGreen charged EEI Power Corporation (EEIPC) amounting to ₱550,000 plus VAT representing charges for the equity valuation study in 2023.

- g. The Group leased 77 hectares of land area from LIPCO (Note 15). These are non-interest bearing and payable when due and demandable.
- h. On November 12, 2015, PetroSolar entered into a ₱2.6 billion OLSA with PNB and DBP. PetroGreen and EEIPC signed as the third party mortgagors and pledgors (see Note 20).
- i. PetroWind executed an OLSA with DBP for a loan facility amounting to ₱3.0 billion. PetroEnergy signed as guarantor and PetroGreen signed as guarantor, pledgor and third-party mortgagor (see Note 20).
- j. On April 29, 2021, PGEC completed its first commercial and industrial (C&I) rooftop solar power project for the Enrique T. Yuchengco Bldg. in Binondo, Manila.

The building owner E.T. Yuchengco Inc. (ETY) and project owner PGEC signed a 15-year Rent-to-Own Agreement for a 140.8-kWp solar rooftop facility last January 14, 2021. The rental period commenced upon the project's completion in April 2021. After said 15-year cooperation period, PGEC will turn-over the said rooftop solar facility to ETY free of charge.

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## 24. Financial Instruments

The Group's principal financial instruments include cash and cash equivalents, short-term investments, financial assets at FVTPL, receivables, restricted cash, loans payable, accounts payable, accrued expenses and dividends payable. The main purpose of these financial instruments is to fund the Group's working capital requirements.

### Categories and Fair Values of Financial Instruments

As of March 31 2024 and December 31, 2023, the carrying amounts of the Group's financial assets and financial liabilities approximate their fair values except for loans payable and lease liabilities. The fair value of the loans payable as of December 31, 2023 amounted to ₱7.88 billion compared to their carrying value of ₱7.94 billion.

The methods and assumptions used by the Group in estimating the fair value of financial instruments are:

| <b>Financial instruments</b>  | <b>Considerations</b>   |
|---|---|
| <i>Cash and cash equivalents, short-term investments, restricted cash, receivables, accounts payable and accrued expenses, and short-term loans payable</i> | Due to the short-term nature of the instruments, carrying amounts approximate fair values as at the reporting date.   |
| <i>Equity securities</i>  | Fair values are based on published quoted prices (Level 1).   |
| <i>Golf club shares</i>   | Fair values are based on quoted market prices at reporting date (Level 1).  |
| <i>Long-term loans payable</i>  | Fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar type of instruments. The fair value is derived using the prevailing PH BVAL rate in 2022 and 2021. |
| <i>Lease liabilities</i>  | Estimated fair value is based on the discounted value   |



of future cash flows using the prevailing PH BVAL rate.

The fair value is based on the source of valuation as outlined below:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In March 31, 2024 and December 31, 2023, there were no transfers of financial instruments among all levels.

#### Financial Risk Management Objectives and Policies

The Group manages and maintains its own portfolio of financial instruments in order to fund its own operations and capital expenditures. Inherent in using these financial instruments are the following risks on liquidity, market and credit.

#### *Financial Risks*

The main financial risks arising from the Group's financial instruments are liquidity risk, market risk and credit risk.

#### *a. Liquidity Risk*

Liquidity risk is the risk that the Group is unable to meet its financial obligations when due. The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations and to mitigate the effects of fluctuation in cash flows. To cover its short-term and long-term funding requirements, the Group obtains funds from various sources including internally generated funds and loans from financial institutions. As of March 31, 2024 and December 31, 2023, the Group has existing credit line facilities from which they can draw funds from (see Note 20).

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as of March 31, 2024 and December 31, 2023 based on contractual payments:

|   | 31-Mar-24 (Unaudited) |                |                  | Total         |
|---|-----------------------|----------------|------------------|---------------|
|   | On demand             | 1 year or less | More than 1 year |               |
| <b>Financial Assets</b>                         |                       |                |                  |               |
| Financial assets at FVTPL                       | ₱7,059,247            | ₱-             | ₱-               | ₱7,059,247    |
| <b>Financial assets at amortized cost:</b>      |                       |                |                  |               |
| Cash and cash equivalents                       | 3,944,592,810         | -              | -                | 3,944,592,810 |
| Short-term investments                          | -                     | -              | -                | -             |
| Accounts receivable                             | 134,325,462           | 544,944,808    | -                | 679,270,270   |
| Other receivables                               | -                     | -              | 28,038,110       | 28,038,110    |
| Interest receivable                             | 15,643,190            | -              | -                | 15,643,190    |
| Refundable deposits                             | -                     | 448,721        | 5,838,959        | 6,287,680     |
| Restricted cash                                 | -                     | 374,251,690    | 17,563,550       | 391,815,240   |
| Contract assets                                 | -                     | 93,866,114     | 662,603,813      | 756,469,927   |
|   | 4,101,620,709         | 1,013,511,333  | 714,044,432      | 5,829,176,474 |
| <b>Financial Liabilities</b>                    |                       |                |                  |               |
| <b>Financial liabilities at amortized cost:</b> |                       |                |                  |               |
| Loans payable                                   | -                     | 1,691,082,703  | 6,071,153,898    | 7,762,236,601 |
| Lease liabilities                               | -                     | 61,319,984     | 269,881,742      | 331,201,726   |
| Accounts payable and accrued expenses           | 667,339,426           | -              | -                | 667,339,426   |

|   | 31-Mar-24 (Unaudited) |                       |                         |                         |
|---|-----------------------|-----------------------|-------------------------|-------------------------|
|   | On demand             | 1 year or less        | More than<br>1 year     | Total                   |
|   | 667,339,426           | 1,752,402,687         | 6,341,035,640           | 8,760,777,753           |
| <b>Net financial assets (liabilities)</b> | <b>₱3,434,281,283</b> | <b>(₱738,891,354)</b> | <b>(₱5,626,991,208)</b> | <b>(₱2,931,601,279)</b> |
|   | 31-Dec-23 (Audited)   |                       |                         |                         |
|   | On demand             | 1 year or less        | More than<br>1 year     | Total                   |
| <i>Financial Assets</i>                   |                       |                       |                         |                         |
| Financial assets at FVTPL                 | ₱6,958,720            | ₱–                    | ₱–                      | ₱6,958,720              |
| Financial assets at amortized cost:       |                       |                       |                         |                         |
| Cash and cash equivalents                 | 2,334,304,367         | –                     | –                       | 2,334,304,367           |
| Short-term investments                    | 1,975,286,425         | –                     | –                       | 1,975,286,425           |
| Accounts receivable                       | 185,205,824           | 458,505,758           | –                       | 643,711,582             |
| Interest receivable                       | 86,809,859            | –                     | –                       | 86,809,859              |
| Refundable deposits                       | –                     | 458,721               | 4,967,207               | 5,425,928               |
| Restricted cash                           | –                     | 293,744,077           | 17,297,610              | 311,041,687             |
| Contract assets                           | –                     | 127,134,899           | 609,572,499             | 736,707,398             |
|   | <b>4,588,565,195</b>  | <b>879,843,455</b>    | <b>631,837,316</b>      | <b>6,100,245,966</b>    |
| <i>Financial Liabilities</i>              |                       |                       |                         |                         |
| Financial liabilities at amortized cost:  |                       |                       |                         |                         |
| Loans payable**                           | –                     | 780,533,583           | 7,097,611,310           | 7,878,144,893           |
| Lease liabilities                         | –                     | 54,756,559            | 269,881,742             | 324,638,301             |
| Accounts payable and accrued expenses*    | 741,221,940           | –                     | –                       | 741,221,940             |
|   | <b>741,221,940</b>    | <b>835,290,142</b>    | <b>7,367,493,052</b>    | <b>8,944,005,134</b>    |
| <b>Net financial assets (liabilities)</b> | <b>₱3,847,343,255</b> | <b>₱44,553,313</b>    | <b>(₱6,735,655,736)</b> | <b>(₱2,843,759,168)</b> |

\*Excluding statutory payables

\*\*Includes future interest payments

*b. Market Risk*

Market risk is the risk of loss on future earnings, on fair values or on future cash flows that may result from changes in market prices. The value of a financial instrument may change as a result of changes in equity prices, foreign currency exchanges rates, interest rates and other market changes.

Foreign Exchange Risk

Foreign currency risk is the risk that the value of the Group's financial instruments denominated other than the Group's functional currency diminishes due to unfavorable changes in foreign exchange rates. The Group's transactional currency exposures arise from cash and cash equivalents, receivables and accounts payable and accrued expenses.

The Group's foreign currency-denominated financial instruments as of March 31, 2024 and December 31, 2023 are as follows:

|                                       | 31-Mar-24 (Unaudited) |                     | 31-Dec-23 (Audited) |                     |
|---------------------------------------|-----------------------|---------------------|---------------------|---------------------|
|                                       | US<br>Dollar          | Peso<br>Equivalent  | US<br>Dollar        | Peso<br>Equivalent  |
| <i>Financial assets</i>               |                       |                     |                     |                     |
| Cash and cash equivalents             | \$2,895,884           | ₱152,642,917        | \$3,560,220         | ₱197,830,741        |
| Receivables                           | 1,409,453             | 79,325,419          | 1,031,907           | 57,339,972          |
| Restricted Cash                       | 312,069               | 17,563,550          | 312,069             | 17,297,610          |
|                                       | <b>4,617,406</b>      | <b>249,531,886</b>  | <b>4,904,196</b>    | <b>272,468,323</b>  |
| <i>Financial liabilities</i>          |                       |                     |                     |                     |
| Accounts payable and accrued expenses | 894,763               | 50,358,149          | 1,298,471           | 72,152,130          |
| <b>Net exposure</b>                   | <b>\$3,722,643</b>    | <b>₱199,173,737</b> | <b>\$3,605,725</b>  | <b>₱200,316,193</b> |

As of March 31, 2024 and December 31, 2023, the exchange rates used for conversion are ₱56.281 and ₱55.567 per \$1, respectively.

There is no other impact on the Group's equity other than those already affecting income before income tax.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's loans payable. Interest rate of loans payable is fixed for the first five (5) years or first seven (7) years and will be repriced thereafter.

There is no other impact on the Group's equity other than those already affecting income before income tax.

c. *Credit Risk*

Credit risk is the possibility of loss for the Group if its receivable counterparties fail to discharge their contractual obligations. With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents, short-term investments, receivables, financial assets at FVTPL, and restricted cash, the Group's exposure to credit risk could arise from default of the counterparty.

The Group trades only with recognized, creditworthy third parties. However, the Group's credit risk exposure is concentrated on a few counterparties as inherent in the oil exploration and production and renewable energy businesses. The Group has a well-defined credit policy and established credit procedures. In addition, receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The table below summarizes the Group's gross maximum credit risk exposure from its financial instruments and contract asset. These amounts are gross of collateral and credit enhancements, but net of any amounts offset and allowance for impairment losses:

|                                    | 31-Mar-24             | 31-Dec-23             |
|------------------------------------|-----------------------|-----------------------|
| Financial assets:                  |                       |                       |
| Cash in banks and cash equivalents | ₱ 3,943,931,607       | ₱2,334,304,367        |
| Short-term investments             | -                     | 1,975,286,425         |
| Receivables                        | 722,951,569           | 730,521,441           |
| Restricted cash                    | 391,815,240           | 311,041,687           |
| Financial assets at FVTPL          | 7,059,247             | 6,958,720             |
| Refundable deposits                | 6,287,680             | 5,425,928             |
| Contract asset                     | 756,469,927           | 736,707,398           |
|                                    | <b>₱5,828,515,270</b> | <b>₱6,100,245,966</b> |

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The mechanics of the ECL calculations and the key elements are, as follows:

- a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
- b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
- c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit

exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The table below shows the aging by class of asset for the Group's financial assets and contract asset as of March 31, 2024 and December 31, 2023:

|                                   | 31-Mar-24 (Unaudited)   |                                       |                    | Total                 |
|-----------------------------------|-------------------------|---------------------------------------|--------------------|-----------------------|
|                                   | Current<br>(High grade) | More than 90 days<br>(Standard grade) | Credit<br>impaired |                       |
| <b>Financial assets:</b>          |                         |                                       |                    |                       |
| <b>Cash and cash equivalents*</b> | ₱3,943,931,607          | ₱-                                    | ₱-                 | ₱3,943,931,607        |
| <b>Short-term investments</b>     | -                       | -                                     | -                  | -                     |
| <b>Accounts receivable</b>        | 707,308,380             | -                                     | 2,682,452          | 709,990,832           |
| <b>Other receivables</b>          | -                       | 28,038,110                            | -                  | 28,038,110            |
| <b>Interest receivable</b>        | 15,643,190              | -                                     | -                  | 15,643,190            |
| <b>Financial assets at FVTPL</b>  | 7,059,247               | -                                     | -                  | 7,059,247             |
| <b>Refundable deposits</b>        | 6,287,680               | -                                     | -                  | 6,287,680             |
| <b>Restricted cash</b>            | 391,815,240             | -                                     | -                  | 391,815,240           |
| <b>Contract asset</b>             | 756,469,927             | -                                     | -                  | 756,469,927           |
|                                   | <b>₱5,828,515,271</b>   | <b>₱28,038,110</b>                    | <b>₱2,682,452</b>  | <b>₱5,859,235,833</b> |

|                                   | 31-Dec-23 (Audited)     |                                       |                    | Total                 |
|-----------------------------------|-------------------------|---------------------------------------|--------------------|-----------------------|
|                                   | Current<br>(High grade) | More than 90 days<br>(Standard grade) | Credit<br>impaired |                       |
| <b>Financial assets:</b>          |                         |                                       |                    |                       |
| <b>Cash and cash equivalents*</b> | ₱2,333,643,164          | ₱-                                    | ₱-                 | ₱2,333,643,164        |
| <b>Short-term investments</b>     | 1,975,286,425           | -                                     | -                  | 1,975,286,425         |
| <b>Accounts receivable</b>        | 643,711,582             | -                                     | 2,682,453          | 646,394,035           |
| <b>Other receivables</b>          | -                       | -                                     | -                  | -                     |
| <b>Interest receivable</b>        | 86,809,859              | -                                     | -                  | 86,809,859            |
| <b>Financial assets at FVTPL</b>  | 6,958,720               | -                                     | -                  | 6,958,720             |
| <b>Refundable deposits</b>        | 5,425,928               | -                                     | -                  | 5,425,928             |
| <b>Restricted cash</b>            | 311,041,687             | -                                     | -                  | 311,041,687           |
| <b>Contract asset</b>             | 736,707,398             | -                                     | -                  | 736,707,398           |
|                                   | <b>₱6,099,584,763</b>   | <b>₱-</b>                             | <b>₱2,682,453</b>  | <b>₱6,102,267,216</b> |

\*excluding cash on hand

Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, credit risk exposure is minimal. Financial assets are classified as a standard grade if the counterparties settle their obligation with the Group with tolerable delays. Low grade accounts are accounts, which have probability of impairment based on historical trend.

These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms. The Group's cash in banks, cash equivalents, accounts receivable, interest receivable and restricted cash have high grade credit quality.

## 25. Segment Information

For management purposes, the Group is organized into business units based on their products and has four reportable segments as follows:

- The oil production segment is engaged in the oil and mineral exploration, development and production.
- The geothermal energy segment develops and operates geothermal steamfields and power plants.
- The solar energy segment carries out solar energy operations of the Group.
- Other activities pertain to research and investment activities.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

|   | Unaudited<br>31-March-2024  |                      |                |                |                     |                  |                 |
|---|-----------------------------|----------------------|----------------|----------------|---------------------|------------------|-----------------|
|   | Oil Production              | Geothermal<br>Energy | Solar Energy   | Wind Energy    | Other<br>Activities | Elimination      | Consolidated    |
| Segment revenue                                     | ₱139,797,833                | ₱269,090,132         | ₱230,501,898   | ₱305,707,181   | ₱-                  | ₱-               | ₱945,097,044    |
| Net income (loss)                                   | 40,848,445                  | 71,185,180           | 135,798,262    | 157,659,085    | 7,813,485           | (91,579,061)     | 321,725,396     |
| Other comprehensive income (loss)                   | -                           | -                    | -              | -              | -                   | -                | -               |
| Other information:                                  |                             |                      |                |                |                     |                  |                 |
| Segment assets except deferred tax asset            | ₱6,385,920,951              | ₱5,643,393,036       | ₱4,400,955,683 | ₱5,222,555,126 | ₱6,661,040,986      | (₱6,313,894,540) | ₱21,999,971,242 |
| Deferred tax assets - net                           | 9,452,461                   | 2,468,251            | 3,622,118      | 3,148,957      | -                   | -                | 18,691,787      |
| Segment liabilities except deferred tax liabilities | ₱2,953,413,445              | ₱1,926,646,607       | ₱1,250,430,971 | ₱2,698,052,483 | ₱295,792,575        | (₱96,464,631)    | ₱9,027,871,450  |
| Deferred tax liabilities - net                      | ₱-                          | ₱-                   | ₱-             | ₱-             | ₱-                  | ₱-               | ₱-              |
| Provision for (benefit from) income tax             | ₱892,432                    | ₱5,241,312           | ₱5,947,514     | ₱18,312,811    | ₱283,450            | ₱-               | ₱30,677,519     |
|   | Audited<br>31-December-2023 |                      |                |                |                     |                  |                 |
|   | Oil Production              | Geothermal<br>Energy | Solar Energy   | Wind Energy    | Other<br>Activities | Elimination      | Consolidated    |
| Segment revenue                                     | ₱623,038,856                | ₱1,089,837,044       | ₱876,818,506   | ₱422,778,791   | ₱-                  | ₱-               | ₱3,012,473,197  |
| Net income (loss)                                   | 93,076,080                  | 342,024,283          | 484,870,456    | 63,875,011     | 225,038,305         | (264,703,667)    | 944,180,468     |
| Other comprehensive income (loss)                   | (2,008,368)                 | (6,919,295)          | (1,423,214)    | (1,869,381)    | (9,383,652)         | -                | (21,603,910)    |
| Other information:                                  |                             |                      |                |                |                     |                  |                 |
| Segment assets except deferred tax asset            | ₱6,371,818,411              | ₱5,537,464,412       | ₱4,284,879,707 | ₱5,285,903,767 | ₱6,154,389,855      | (₱5,770,515,677) | ₱21,863,940,475 |
| Deferred tax assets - net                           | 9,452,461                   | 2,468,251            | 3,279,470      | 3,148,957      | -                   | (6,455,342)      | 18,349,138      |
| Segment liabilities except deferred tax liabilities | ₱2,980,159,350              | ₱1,891,903,163       | ₱1,264,319,686 | ₱2,919,060,209 | ₱256,793,629        | (₱98,914,829)    | ₱9,213,321,208  |
| Deferred tax liabilities - net                      | ₱-                          | ₱-                   | ₱-             | ₱-             | ₱-                  | ₱-               | ₱-              |
| Provision for (benefit from) income tax             | ₱952,244                    | ₱26,239,667          | ₱20,025,876    | ₱10,747,020    | ₱933,485            | ₱-               | ₱58,898,292     |

InterGroup investments, revenues and expenses are eliminated during consolidation.

## 26. Basic/Diluted Earnings Per Share

The computation of the Group's earnings per share follows:

|   | <b>Unaudited</b><br><b>31-Mar-2024</b> | Unaudited<br>31-Mar-2023 | Audited<br>31-Dec-2023 |
|---|--|--------------------------|------------------------|
| Net income attributable to equity holders of the Parent Company | <b>₱185,523,586</b>                    | ₱172,611,440             | <b>₱515,651,585</b>    |
| Weighted average number of shares                               | <b>568,711,842</b>                     | 568,711,842              | <b>568,711,842</b>     |
| Basic/diluted earnings per share                                | <b>₱0.3262</b>                         | ₱0.3035                  | <b>₱0.9067</b>         |

Earnings per share are calculated using the net income attributable to equity holders of the Parent Company divided by the weighted average number of shares.

PERC does not have potentially dilutive common stock.

## 27. Non-controlling Interests

As of March 31, 2024 and December 31, 2023, the accumulated balances of and net income attributable to non-controlling interests are as follows:

|  | <b>Unaudited</b><br><b>31-Mar-2024</b> | Audited<br>31-Dec-2023 |
|--|--|------------------------|
| <b>Accumulated balances of non-controlling interests:</b>    |  |                        |
| PetroGreen   | <b>₱2,163,138,689</b>                  | <b>₱2,114,915,326</b>  |
| MGI  | <b>1,301,725,138</b>                   | <b>1,276,810,325</b>   |
| PetroWind  | <b>1,508,108,100</b>                   | <b>1,445,044,466</b>   |
|  | <b>₱4,972,971,927</b>                  | <b>₱4,836,770,117</b>  |
| <b>Net income attributable to non-controlling interests:</b> |  |                        |
| PetroSolar   | <b>₱-</b>                              | <b>₱82,106,696</b>     |
| MGI  | <b>24,914,813</b>                      | <b>119,708,499</b>     |
| PetroGreen   | <b>48,223,363</b>                      | <b>182,805,800</b>     |
| PetroWind  | <b>63,063,634</b>                      | <b>43,907,888</b>      |
|  | <b>₱136,201,810</b>                    | <b>₱428,528,883</b>    |

Dividends paid to non-controlling interests amounted to nil and ₱25 million as of March 31, 2024 and December 31, 2023, respectively.

### Increase in non-controlling interests from stock issuances

#### PetroGreen

In September 2022, PetroGreen, PetroEnergy and Kyuden Internation Corporation (Kyuden), a wholly-owned subsidiary of Japan's Kyushu Electric Power Co., Inc., executed the Subscription

Agreement and Shareholders' Agreement. Pursuant to the said documents, PetroGreen will issue 712,251,720 shares in two tranches in favor of Kyuden equivalent to 25% ownership interest in PetroGreen upon completion of the conditions precedent for the transaction.

In October 2022, PetroGreen received from Kyuden the payment for the subscription amounting to ₱3.37 billion, which is maintained in an escrow fund with a bank to be release based on the terms of the escrow agreement.

On October 14, 2022, transaction for the "Initial Closing" was completed. The subscription amount of ₱1.72 billion was released from the escrow account and the 363,244,840 shares coming from unissued shares of PetroGreen was issued in favor of Kyuden representing 14.53% ownership interest in PetroGreen.

On November 18, 2022, another ₱21.81 million was released from the escrow account representing the required 25% payment of the 25% subscribed shares for the increase in PetroGreen's authorized capital stock as part of the "Pre-Approval Second Closing". On December 14, 2022, SEC approved the application for increase in authorized capital stock from 2,500,000,000 shares at ₱1.0 par value to 2,849,006,880 shares with same par value.

As of December 31, 2022, the "Second Closing" under the Subscription Agreement is not yet completed since the fulfilment of the Conditions Precedent and the payment/release of the ₱1.63 billion remaining escrow fund was completed only on January 10, 2023. Effectively, Kyuden has 14.53% equity ownership in PetroGreen as of December 31, 2022. This resulted in an increase in non-controlling interest as of December 31, 2022 (see Note 22).

The amount of ₱1.65 billion representing the subscription amount for the "Pre-approval Second Closing" and "Second Closing" transactions are presented as separate line item as Deposit for Stock Subscription under the 2022 Equity section.

On January 10, 2023, the date of "Second Closing", the remaining balance of the escrow account amounting to ₱1.63 billion was released and the stock certificate for the 349,006,880 subject shares was issued in favor of Kyuden. After the Second Closing on January 10, 2023, Kyuden already holds 25% ownership interest in PetroGreen.

In 2021, stockholders of PetroGreen subscribed to ₱83.00 million from its unissued stocks which increased the non-controlling interest by ₱8.30 million.

#### *PetroSolar*

On March 28, 2022, the BOD and Stockholders approved the increase in PetroSolar's authorized capital stock from ₱1,800,000,000 consisting of 18,000,000 shares at ₱100 par value per share, to ₱1,900,000,000 consisting of 19,000,000 shares at ₱100 par value per share. In compliance with Sec. 37 of the Revised Corporation Code, 25% or 250,000 shares of the authorized capital stock increase must be subscribed, and 25% or 62,500 shares of the subscribed capital stock must be paid up. Of the total subscribed capital stock amounting to ₱25,000,000, cash amounting to ₱6,250,000 equivalent to 62,500 shares was received by PetroSolar on April 6, 2022 as subscription payment for the proposed increase in authorized capital stock. PetroSolar filed its application for the approval of the proposed increase in authorized capital stock with the SEC on May 23, 2022. The said application was approved by the SEC on May 30, 2022. Upon approval, the 62,500 shares subscribed were treated as outstanding shares.

In 2023, the Group acquired the NCI in PetroSolar through PERC's acquisition of EEIPC's 44% ownership interest in PetroSolar. Details of the transaction are disclosed in Notes 1 and 21.

*PetroWind*

The business combination of PWEI in May 2023 resulted in NCI which represents the 40% ownership interest of BCPG in PetroWind. Details of the transaction are disclosed in Notes 1 and 13.

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**28. Others**

- a. The Interim Financial Report (March 31, 2024) is in compliance with generally accepted accounting principles.
- b. The same policies and methods of computation were followed in the preparation of the interim financial report compared to the December 31, 2023 Consolidated Audited Financial Statements.
- c. No unusual item or items affected the assets, liabilities, equity and cash flows of the March 31, 2024 Financial Statements.
- d. Earnings per share is presented in the face of the unaudited statements of income for the period ended March 31, 2024 and December 31, 2023.
- e. No significant events happened during the quarter that will affect the March 31, 2024 Unaudited Financial Statements.
- f. There are no seasonal aspects that had a material effect on the financial condition or results of operation of the Company.
- g. There is no foreseeable event that will trigger direct or contingent financial obligation that is material to the Company, including any default of accelerated obligation.
- h. There are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with other entities or persons that were created during the period.
- i. There are no changes in estimates of amounts reported in prior periods of the current financial year or changes in estimates of amounts reported in prior financial years that could have material effect in the current period.
- j. The Company has no contingent liabilities or assets during the period.



## Item 2. Management’s Discussion and Analysis or Plan of Operation

### PART I – Management’s Discussion and Analysis (Amounts are in Philippine Peso (P))

#### 1. Consolidated Financial Position (March 31, 2024 and December 31, 2023)

|  | 31-Mar-24              | 31-Dec-23              | % Change      | % of Total Assets |
|--|------------------------|------------------------|---------------|-------------------|
| <b>ASSETS</b>  |                        |                        |               |                   |
| Cash and cash equivalents                                      | ₱3,944,592,810         | ₱2,334,304,367         | 68.98%        | 17.91%            |
| Short term investments   | -                      | 1,975,286,425          | -100.00%      | 0.00%             |
| Restricted cash  | 374,251,690            | 293,744,077            | 27.41%        | 1.70%             |
| Receivables  | 722,951,569            | 730,521,441            | -1.04%        | 3.28%             |
| Financial assets at fair value through profit and loss (FVTPL) | 7,059,247              | 6,958,720              | 1.44%         | 0.03%             |
| Crude oil inventory  | 93,866,114             | 127,134,899            | -26.17%       | 0.43%             |
| Contract Assets - current portion                              | 24,216,179             | 13,676,052             | 77.07%        | 0.11%             |
| Other current assets   | 280,707,857            | 232,238,237            | 20.87%        | 1.27%             |
| Property and equipment-net                                     | 12,372,701,414         | 12,208,332,826         | 1.35%         | 56.19%            |
| Deferred oil exploration cost                                  | 410,338,944            | 386,796,965            | 6.09%         | 1.86%             |
| Contract assets - net of current portion                       | 662,603,813            | 609,572,499            | 8.70%         | 3.01%             |
| Investment in joint venture and business combination           | 2,882,000              | 2,882,000              | 0.00%         | 0.01%             |
| Right of use of asset  | 316,999,128            | 322,894,463            | -1.83%        | 1.44%             |
| Deferred tax assets-net  | 18,691,787             | 18,349,138             | 1.87%         | 0.08%             |
| Intangible assets and goodwill                                 | 1,166,357,242          | 1,172,413,367          | -0.52%        | 5.30%             |
| Investment properties-net                                      | 1,611,533              | 1,611,533              | 0.00%         | 0.01%             |
| Other noncurrent assets  | 1,618,831,703          | 1,445,572,602          | 11.99%        | 7.35%             |
| <b>TOTAL ASSETS</b>  | <b>₱22,018,663,030</b> | <b>₱21,882,289,611</b> | <b>0.62%</b>  | <b>100.00%</b>    |
| <b>LIABILITIES AND EQUITY</b>                                  |                        |                        |               |                   |
| Accounts payable and accrued expenses                          | 687,662,241            | 798,052,764            | -13.83%       | 3.12%             |
| Loans payable - current  | 1,691,082,703          | 3,699,707,830          | -54.29%       | 7.68%             |
| Lease liabilities - current                                    | 61,319,984             | 54,756,559             | 11.99%        | 0.28%             |
| Income tax payable   | 44,075,621             | 14,329,114             | 207.59%       | 0.20%             |
| Loans payable - net of current portion                         | 6,071,153,898          | 4,178,456,690          | 45.30%        | 27.57%            |
| Lease liabilities - net of current portion                     | 269,881,742            | 269,881,742            | 0.00%         | 1.23%             |
| Asset retirement obligation                                    | 171,349,371            | 167,532,915            | 2.28%         | 0.78%             |
| Other noncurrent liability                                     | 31,345,890             | 30,603,592             | 2.43%         | 0.14%             |
| <b>TOTAL LIABILITIES</b>                                       | <b>₱9,027,871,450</b>  | <b>₱9,213,321,206</b>  | <b>-2.01%</b> | <b>41.00%</b>     |
| <b>EQUITY</b>  |                        |                        |               |                   |
| Attributable to equity holders of the Parent Company           | 8,017,819,653          | 7,832,198,288          | 2.37%         | 36.41%            |
| Non-controlling interest                                       | 4,972,971,927          | 4,836,770,117          | 2.82%         | 22.59%            |
| <b>TOTAL EQUITY</b>  | <b>₱12,990,791,580</b> | <b>₱12,668,968,405</b> | <b>2.54%</b>  | <b>59.00%</b>     |

**Total assets** amounted to ₱22.018 billion and ₱21.882 billion as of March 31, 2024 and December 31, 2023, respectively. Book value is at ₱14.10/share from ₱13.77/share.

**Cash and cash equivalents** consist of cash on hand, cash in banks and money market placements with original maturities of not more than three months. The 68.98% net increase from ₱2.334 billion as of December 31, 2023 to ₱3.944 billion as of March 31, 2024 is mainly from PGEC’s short term investment, collections from electricity sales and oil lifting proceeds, net of payments for loan principal, interest and working capital requirements for the period.

**Short term investments** with maturities of more than three months, decreased by 100% due to PGEC's conversion of short-term investments to cash and cash equivalents to be placed in money market placements and various special purpose vehicle (SPV) expenditures.

**Restricted cash** increased as a result of additional funding of Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) to be used for the next loan principal and interest payments.

The **Receivables** account mainly consists of receivables from electricity sales and lifting/sales of crude oil, with interest income as a minor component. The 1.04% decrease is essentially attributable to lower interest receivable from money market placements.

**Financial assets at fair value through profit and loss (FVPL)** amounted to ₱7.059 million and ₱6.959 million as of March 31, 2024 and December 31, 2023, respectively. The market prices of the portfolio are maintained resulting in minimal change in the account.

**Crude oil inventory** decreased due to lower crude oil inventory left unsold during the period.

**Contract Assets – current and noncurrent portions** pertain to PWEI and PSC's receivable from TransCo on FIT arrears, which is currently recorded at net present value since this will be collected over five (5) years. PWEI and PSC's collections started in 2021 and 2022, respectively. The increase for the current month is due to the reclassification of FIT arrears collectible in 2024, from noncurrent account. For noncurrent portion, increase is due to recording of additional FIT arrears and amortization of interest income using the adjusted FIT rate applied by TransCo.

**Other current assets** consist of supplies inventory, prepaid expenses, and other current assets. The bulk of the net increase of 20.87% is mainly due to set-up of prepaid expenses for insurance, and real property taxes and business permits to be amortized over the year.

**Property, plant and equipment (PPE)** amounted to ₱12.372 billion and ₱12.208 billion as of March 31, 2024 and December 31, 2023, respectively. The 1.35% net increase is mainly due to the procurement of materials for the construction of Dagohoy Solar Power Project and erection of the three (3) wind turbine generators for Nabas-2 Wind Power Project, net of continuous depreciation of the Renewable Energy Power Plants, other assets, and depletion of oil assets.

**Deferred oil exploration cost** increased by 6.09% resulting from the continuous development of the Gabon oil field.

**Investment in a joint venture and business combination** refers to the investment in three newly incorporated SPV namely: BuhaWind Energy Northern Luzon Corporation, BuhaWind Energy Northern Mindoro Corporation and BuhaWind Energy East Panay Corporation.

**Right of use of asset** declined by 1.83% mainly due to the amortization of the account during the period.

**Deferred tax assets – net** resulted in timing differences in recognizing temporary deductible expenses and temporary taxable revenues such as accrued profit share, accretion expenses, accrued retirement liability, provision for probable losses, unrealized gains or losses and change in crude oil inventory. As of March 31, 2024 and December 31, 2023, this amounted to ₱18.692 million and ₱18.349 million, respectively. The net increase pertains to movements of the temporary deductible expenses and temporary taxable revenues during the period.

Bulk of **Intangible assets and goodwill** pertain to assets recognized as a result of business combination of PWEI. The decrease in this amount is due to the amortization.

**The Investment properties-net** account remains the same as of March 30, 2024.

**Other non-current assets** amounted to ₱1.619 billion and ₱1.446 billion as of March 30, 2024 and December 31, 2023, respectively. The 11.99% net increase is mainly due to the additions to Deferred Development Cost related to the exploration, development, production and expansion of various renewable energy projects.

**Accounts payable and accrued expenses** decreased by 13.83% mainly due to payments to contractors and suppliers.

**Current portion of loan payable** decreased by 54.29% due to conversion of short-term loan (STL) to long-term loan (LTL) and partial settlement of loan during the period.

**Loans payable – net of current portion** increased by 45.30% due to conversion of STL to LTL to fund PERC's acquisition of EEIPC's equity interests in PGEC, PWEI and PSC.

**Lease liabilities – current and non-current** movement is mainly due to the interest recognized during the period.

The increase in **Income tax payable** account mainly pertains to additional set-up of provision during the period.

**Asset retirement obligation** amounted to ₱171.349 million and ₱167.533 million as of March 31, 2024 and December 31, 2023, respectively. The 2.28% increase mainly pertains to accretion made during the period.

**Other non-current liability** includes the Group's accrued retirement liability account. The net increase of 2.43% is mainly due to accrual of employees' retirement-related obligation.

**Equity attributable to equity holders of the Parent Company** amounted to ₱8.018 billion or ₱14.10 book value per share and ₱7.832 billion or ₱13.77 book value per share, as of March 31, 2024 and December 31, 2023, respectively. The increase in total Equity is mainly due to continuous income generation from the Renewable Energy and Oil operations.

**Non-controlling interest** (NCI) pertains to the following:

- 25% share of Kyuden in PetroGreen as of March 31, 2024 and December 31, 2023;
- Nil share of EEIPC in PetroGreen as of March 31, 2024 and December 31, 2023;
- 25% direct share of AC Energy, the 10% direct share of PNOC-RC, and 16.25% (25% of the 65% of PGEC) indirect share of Kyuden in MGI as of March 31, 2024 and December 31, 2023;
- 14% (25% of 56% share of PGEC) total indirect share of Kyuden in PSC as of March 31, 2024 December 31, 2023; and
- 40% direct share of BCPG in PWEI as of March 31, 2024 and December 2023.

Non-controlling interest increased by 2.82% from ₱4.973 billion to ₱4.837 billion due to PERC's acquisition of EEIPC's ownership interests in PetroGreen, PetroWind and PetroSolar and accumulated share in net income from RE projects.

**2. Consolidated Financial Performance (as of March 31, 2024 and as of March 31, 2023)**

|  | <b>Unaudited</b>    |                    | <b>% Change</b> | <b>% to Total Revenues</b> |
|--|---------------------|--------------------|-----------------|----------------------------|
|  | <b>31-Mar-24</b>    | <b>31-Mar-23</b>   |                 |                            |
| <b>REVENUES</b>  |                     |                    |                 |                            |
| Electricity sales  | 785,852,912         | 501,633,224        | 56.66%          | 83.15%                     |
| Oil revenues   | 139,797,833         | 90,756,711         | 54.04%          | 14.79%                     |
| Other revenues   | 19,446,299          | 15,185,878         | 28.06%          | 2.06%                      |
|  | <b>945,097,044</b>  | <b>607,575,813</b> | <b>55.55%</b>   | <b>100.00%</b>             |
| <b>COST OF SALES</b>   |                     |                    |                 |                            |
| Cost of sales - Electricity  | 308,345,798         | 188,802,590        | 63.32%          | 32.63%                     |
| Oil production operating expenses  | 107,081,132         | 102,995,554        | 3.97%           | 11.33%                     |
| Change in crude oil inventory  | (10,540,127)        | (61,624,330)       | -82.90%         | -1.12%                     |
| Cost of sales - Others   | 19,192,621          | 14,912,083         | 28.71%          | 2.03%                      |
|  | <b>424,079,424</b>  | <b>245,085,897</b> | <b>73.03%</b>   | <b>44.87%</b>              |
| <b>GROSS INCOME</b>  | <b>521,017,620</b>  | <b>362,489,916</b> | <b>43.73%</b>   | <b>55.13%</b>              |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>                                   | <b>84,088,535</b>   | <b>42,211,108</b>  | <b>99.21%</b>   | <b>8.90%</b>               |
| <b>OTHER INCOME (CHARGES)</b>  |                     |                    |                 |                            |
| Interest income  | 46,370,447          | 50,189,062         | -7.61%          | 4.91%                      |
| Net unrealized foreign exchange gain (loss)                                  | 1,022,948           | (3,348,669)        | -130.55%        | 0.11%                      |
| Net unrealized gain (loss) on fair value changes on financial assets at FVPL | 100,527             | (394,344)          | -125.49%        | 0.01%                      |
| Interest expense   | (133,118,268)       | (68,364,221)       | 94.72%          | -14.09%                    |
| Accretion expense  | (3,199,041)         | (1,799,157)        | 77.81%          | -0.34%                     |
| Share in net income of an Associate  | -                   | 52,894,321         | -100.00%        | 0.00%                      |
| Miscellaneous income (charges)   | 4,297,217           | 3,741,940          | 14.84%          | 0.45%                      |
|  | <b>(84,526,170)</b> | <b>32,918,932</b>  | <b>-356.77%</b> | <b>-8.94%</b>              |
| <b>INCOME BEFORE INCOME TAX</b>  | <b>352,402,915</b>  | <b>353,197,740</b> | <b>-0.23%</b>   | <b>37.29%</b>              |
| <b>PROVISION FOR INCOME TAX</b>  | <b>30,677,519</b>   | <b>13,528,519</b>  | <b>126.76%</b>  | <b>3.25%</b>               |
| <b>NET INCOME</b>  | <b>321,725,396</b>  | <b>339,669,221</b> | <b>-5.28%</b>   | <b>34.04%</b>              |
| <b>NET INCOME ATTRIBUTABLE TO:</b>   |                     |                    |                 |                            |
| Equity Holders of the Parent Company   | 185,523,586         | 172,611,440        | 7.48%           | 19.63%                     |
| Noncontrolling interest  | 136,201,810         | 167,057,781        | -18.47%         | 14.41%                     |

The Group's **consolidated net income** amounted to ₱321.725 million and ₱339.669 million for the 1<sup>st</sup> quarter ending March 31, 2024 and for the same period in 2023. For the first quarter of 2024, the **consolidated net income attributable to equity holders of the Parent Company** amounted to ₱185.524 million or ₱0.326 earnings per share as compared with ₱172.611 million or ₱0.304 earnings per share for the same period in 2023.

The net increase in the Financial Performance of the Group is mainly due to the following:

- consolidation of PWEI's financials as a result of PERC's direct acquisition of EEIPC's 20% equity interest in PWEI; and
- interest income from short term investments.

The consolidated net income attributable to equity holders of the Parent Company increase by 7.48% mainly due to the recognition of PERC's share in net income of PWEI, PSC and PGEC as a result of the acquisition of EEIPC's equity interests in those entities.

**Revenues:**

**Electricity sales** refer to the electricity power generation from MGPP, TSPP and NWPP. The 56.66% net increase on March 31, 2024 versus same period last year is due to the effect of consolidation of PWEI and MGI's higher generation as a result of hook-up of MB-18D to the system on November 10, 2022.

**Oil revenues** increased by 54.04% from ₱90.757 million as of March 31, 2023 to ₱139.798 million as of March 31, 2024 mainly due to the increase in crude oil price (from average \$84.38/bbl to average \$81.34/bbl) and higher forex rate from average of (US\$1:₱56.281 to average of US\$1:₱54.762).

**Other revenues** pertain to passed on Meralco wheeling, ancillary and transmission charges and Wholesale Electricity Spot Market (WESM) transactions. The increase is mainly due to higher accruals made during the period.

Pass-on charges/costs are reflected in cost of sales-others to offset and close the amount recorded in other revenues account.

**Costs and Expenses:**

**Costs of electricity sales** pertain to the direct costs of generating electricity power including operating and maintenance costs (O&M) of all RE subsidiaries' power plants and and MGI's fluid collection and reinjection system (FCRS), depreciation, and other costs directly attributed to producing electricity.

**Oil production operating expenses** pertain to 3.97% increase due to amortization of Domestic Market Obligation expenses and higher royalty expenses as a result of the increase in crude oil prices.

Any oil produced but not delivered is recognized as crude oil inventory valued at its current crude oil price (net realizable value). The movement in crude oil inventory is presented as **Change in crude oil inventory**.

**General and administrative expenses, Other Income (Charges) and Provision for (Benefit from) Income Tax:**

**General and administrative expenses (G&A)** increased by 99.21% mainly due to the effect of consolidation of PWEI's financials in PERC's FS and higher expenses incurred during the period related to documentary stamp taxes on loan availment and conversion.

**Other income (charges)** amounted to (₱84.526) million and ₱32.919 million as of March 31, 2024 and March 31, 2023, respectively. Below presents the itemized discussion of the changes in other income (charges) – net account.

- 7.61% decrease in **interest income** due to PGEC's reduced money market investments because some funds were already used to finance new RE projects, coupled with lower average interest rates from same period last year.
- Upward movement from forex loss of ₱3.349 million to forex gain of ₱1.023 million for the quarter mainly due to conversion of USD accounts to Peso;

- increase in the market prices of the investments in FVPL, from unrealized loss of ₱0.394 million to unrealized gain of ₱0.101 million;
- change in **accretion expense** is mainly due to effect on consolidation of PWEI financials;
- 94.72% increase in **interest expense** from ₱68.364 million to ₱133.118 million is mainly due to additional interests on new loans of PERC to fund the acquisition of EEIPC's equity interests in PWEI, PSC and PGEC and the effect on consolidation of 100% PWEI's interest on loan;
- decrease in **share in net income of an Associate** is mainly due to reversal of PGEC's share in net income of PWEI, initially presented at 40% prior to actual consolidation for the period of May to November 2023; and
- increase in **miscellaneous income** mainly due to higher time-writing charges relating to offshore wind projects which cover the period January 2020 to June 2023.

**Provision for (benefit from) income tax:**

Provision for income tax current pertains to the following:

- PSC's tax payable - 5.00% gross income tax under the PEZA incentives;
- MGI's 10% special corporate income tax rate, after the 7-year income tax holiday (for the MGPP-1), which ended last February 8, 2021, as part of its BOI incentives under RE Law;
- PWEI's 10% special corporate income tax rate since the 7-year income tax holiday of NWPP-1 has ended last June 9, 2022; and
- 2% minimum corporate income tax due for PERC and PGEC.

**Net Income Attributable to Non-controlling interest (NCI)** is computed using the following equity holdings as of March 31, 2024 and March 31, 2023:

- nil share of EEIPC in PetroGreen as of March 31, 2024; 7.5% share as of March 2023;
- 25% share of Kyuden in PetroGreen as of March 31, 2024 and March 31, 2023;
- 25% direct share of AC Energy, the 10% direct share of PNOC-RC, and 16.25% (25% of the 65% of PGEC) total indirect share of Kyuden, and EEIPC's 4.88% indirect share in MGI (7.50% of 65% of PGEC in MGI as of March 31, 2023, nil as of March 2024);
- 14% (25% of 56% share of PGEC) total indirect share of Kyuden in PSC, and EEIPC's 4.2% indirect share in PSC (7.50% of 56% of PGEC in PSC as of March 31, 2023, nil as of March 2024; and
- 40% share of BCPG in PWEI as of March 31, 2024, nil as of March 31, 2023.

### 3. Consolidated Financial Position (March 31, 2024 and March 31, 2023)

|  | 31-Mar-24              | 31-Mar-23              | % Change       | % in Total Assets |
|--|------------------------|------------------------|----------------|-------------------|
| <b>ASSETS</b>  |                        |                        |                |                   |
| Cash and cash equivalents                                      | ₱3,944,592,810         | ₱1,687,055,733         | 133.82%        | 17.91%            |
| Short term investments   | -                      | 2,575,286,425          | -100.00%       | 0.00%             |
| Restricted cash  | 374,251,690            | 335,589,896            | 11.52%         | 1.70%             |
| Receivables  | 722,951,569            | 459,565,482            | 57.31%         | 3.28%             |
| Financial assets at fair value through profit and loss (FVTPL) | 7,059,247              | 7,145,746              | -1.21%         | 0.03%             |
| Contract Assets - current portion                              | 93,866,114             | 17,734,939             | 429.27%        | 0.43%             |
| Crude oil inventory  | 24,216,179             | 76,061,522             | -68.16%        | 0.11%             |
| Other current assets   | 280,707,857            | 209,175,979            | 34.20%         | 1.27%             |
| Property and equipment-net                                     | 12,372,701,414         | 8,158,422,721          | 51.66%         | 56.19%            |
| Deferred oil exploration cost                                  | 410,338,944            | 355,951,118            | 15.28%         | 1.86%             |
| Contract assets - net of current portion                       | 662,603,813            | 293,437,957            | 125.81%        | 3.01%             |
| Investment in joint venture and business combination           | 2,882,000              | 1,934,317,304          | -99.85%        | 0.01%             |
| Right of use of asset  | 316,999,128            | 340,580,472            | -6.92%         | 1.44%             |
| Deferred tax assets-net  | 18,691,787             | 11,113,003             | 68.20%         | 0.08%             |
| Intangible assets and goodwill                                 | 1,166,357,242          | -                      | 100.00%        | 5.30%             |
| Investment properties-net                                      | 1,611,533              | 1,611,533              | 0.00%          | 0.01%             |
| Other noncurrent assets  | 1,618,831,703          | 499,779,985            | 223.91%        | 7.35%             |
| <b>TOTAL ASSETS</b>  | <b>₱22,018,663,030</b> | <b>₱16,962,829,815</b> | <b>29.81%</b>  | <b>100.00%</b>    |
| <b>LIABILITIES AND EQUITY</b>                                  |                        |                        |                |                   |
| Accounts payable and accrued expenses                          | 687,662,241            | 504,024,564            | 36.43%         | 3.12%             |
| Loans payable - current  | 1,691,082,703          | 791,730,980            | 113.59%        | 7.68%             |
| Lease liabilities - current                                    | 61,319,984             | 29,506,086             | 107.82%        | 0.28%             |
| Income tax payable   | 44,075,621             | 19,086,864             | 130.92%        | 0.20%             |
| Loans payable - net of current portion                         | 6,071,153,898          | 2,531,709,685          | 139.80%        | 27.57%            |
| Lease liabilities - net of current portion                     | 269,881,742            | 309,753,594            | -12.87%        | 1.23%             |
| Asset retirement obligation                                    | 171,349,371            | 66,770,378             | 156.62%        | 0.78%             |
| Other noncurrent liability                                     | 31,345,890             | 9,548,486              | 228.28%        | 0.14%             |
| <b>TOTAL LIABILITIES</b>                                       | <b>9,027,871,450</b>   | <b>4,262,130,637</b>   | <b>111.82%</b> | <b>41.00%</b>     |
| <b>EQUITY</b>  |                        |                        |                |                   |
| Attributable to equity holders of the Parent Company           | 8,017,819,653          | 7,376,214,889          | 8.70%          | 36.41%            |
| Non-controlling interest                                       | 4,972,971,927          | 5,324,484,289          | -6.60%         | 22.59%            |
| <b>TOTAL EQUITY</b>  | <b>12,990,791,580</b>  | <b>12,700,699,178</b>  | <b>2.28%</b>   | <b>59.00%</b>     |

**Total assets** amounted to ₱22.019 billion and ₱16.963 billion as of March 31, 2024 and March 31, 2023, respectively. Book value increased to ₱14.10/share from ₱12.97/share.

**Cash and cash equivalents** consist of cash on hand, cash in banks and money market placements with original maturities of not more than three months. The 133.82% net increase from ₱1.687 billion as of March 31, 2024 to ₱3.945 billion as of March 31, 2023 is due to the following:

- PGEC's conversion of short-term investments which subsequently placed in money market investments with maturity of less than ninety (90) days; and
- the effect on consolidation of PWEI and collections from electricity sales net of payments for loan principal, interest and working capital requirements for the period.

**Short term investments** decreased by 100% due to PGEC's conversion of short-term investments to cash and cash equivalents to fund the expenditures relating to new solar power projects while other funds were subsequently invested in money market placements.

**Restricted cash** increase as a result of additional funding of Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) to be used for the next loan principal and interest payments.

The **Receivables** account mainly consists of receivables from electricity sales and lifting/sales of crude oil revenue. The 57.31% increase is mainly due to effect on consolidation of PWEI, PGEC's receivable from SPVs for pre-development expenditures and more barrels lifted for March 31, 2024.

**Financial assets at fair value through profit and loss (FVTPL)** decreased by 1.21% from ₱7.146 million to ₱7.059 million mainly due to decline in the market prices of the investment portfolio.

**Crude oil inventory** decreased mainly due to lower crude oil inventory left unsold during the period.

**Other current assets** consist of supplies inventory, prepaid expenses, and other current assets. The bulk of the 34.20% net increase is mainly due to the effect on consolidation of PWEI for the period, prepayments for insurance, real property taxes and business permits to be amortized over the year.

**Property, plant and equipment (PPE)** amounted to ₱12.373 billion and ₱8.158 billion as of March 31, 2024 and March 31, 2023, respectively. The 51.66% net increase is mainly due to the effect on consolidation of PWEI net of continuous depreciation of the Renewable Energy Power Plants, other assets, and depletion of oil assets.

**Deferred oil exploration cost** amounted to ₱410.339 million and ₱355.951 million as of March 31, 2024 and March 31, 2023, respectively. Increased by 15.28% resulting from the continuous development of the Gabon oil field.

**Contract assets - current and noncurrent portion** pertains to PSC and PWEI's receivable from TransCo on FIT arrears, which is currently recorded at net present value since this will be collected over five (5) years. PSC and PWEI's collections started in 2022 and 2021, respectively. The increase in current and noncurrent portion is mainly due to the effect on consolidation of PWEI's financials for the period.

**Investment in a joint venture and business combination** refers to the three newly incorporated special purpose vehicles namely: BuhaWind Energy Northern Luzon Corporation, BuhaWind Energy Northern Mindoro Corporation and BuhaWind Energy East Panay Corporation. Bulk of the 99.85% net decrease from ₱1.934 billion to ₱2.882 million is due to transfer of investment to controlling interest after PERC's acquisition of EEIPC's 20% equity interest in PWEI on May 10, 2023.

**Right of use of asset** declined by 6.92% because of the amortization during the period.

**Deferred tax assets – net** occurs due to timing differences in recognizing temporary deductible expenses and temporary taxable revenues such as accrued profit share, accretion expenses, accrued retirement liability, provision for probable losses, unrealized gains or losses and change in crude oil inventory. As of March 31, 2024 and March 31, 2023, this amounted to ₱18.692 million and ₱11.113 million, respectively. The net increase pertains to the effect on consolidation of PWEI's financials for the period.

Bulk of **Intangible assets and goodwill** pertain to assets recognized as a result of business combination of PWEI.

**The Investment properties-net** account remains the same as of March 31, 2024.



**Other non-current assets** amounted to ₱1.619 billion and ₱499.780 million as of March 31, 2024 and March 31, 2023, respectively. The 223.91% net increase is mainly due to additions in deferred development costs account in relation to the development and expansion of various renewable energy projects and effect on consolidation of PWEI's financials.

**Accounts payable and accrued expenses** increase by 36.43% mainly due to accruals of payables to contractors and suppliers caused by PERC's acquisition of EEIPC's 20% equity interest in PWEI.

**Loans payable current and noncurrent** increased by 113.59% and 139.80%, respectively due to the following:

- consolidation of PWEI's financials - on November 4, 2013, PetroWind entered into ₱2.80 billion Omnibus Loan and Security Agreement (OLSA) with DBP to finance the Nabas Project. Subsequently, on June 4, 2015, an amended agreement was entered between PetroWind and DBP for an increase in credit line amounting to ₱200.00 million; and
- conversion of STL to LTL to fund PERC's acquisition of EEIPC's shares in PGEC, PWEI and PSC.

**Lease liabilities – current** increase is mainly due to the interest recognized during the period and reclassification from non-current account while **Lease liabilities – net of current portion** decreased mainly due to reclassification to current account.

The increase in the **Income tax payable** account mainly pertains to the effect on consolidation of PWEI's financials and additional set-up of provision during the period.

**Asset retirement obligation** amounted to ₱171.349 million and ₱66.770 million as of March 31, 2024 and March 31, 2023, respectively. The 156.62% increase mainly pertains to the effect of consolidation of PWEI and accretion expense recognized during the period.

**Other non-current liabilities** pertain to the Group's accrued retirement liability account.

**Equity attributable to equity holders of the Parent Company** amounted to ₱8.018 billion or ₱14.10 book value per share and ₱7.376 billion or ₱12.970 book value per share, as of March 31, 2024 and March 31, 2023, respectively. Changes in equity and equity attributable to PERC Parent are mainly due to consolidation of PWEI's financials in PERC's financial statements.

**Non-controlling interest** (NCI) pertains to the following:

- 25% share of Kyuden in PetroGreen as of March 31, 2024, 7.50% March 31, 2023;
- Nil share of EEIPC in PetroGreen as of March 31, 2024, 25% in March 31, 2023;
- 25% direct share of AC Energy, the 10% direct share of PNOC-RC, and 16.25% (25% of the 65% of PGEC) in March 31, 2024; 25% direct share of Trans-Asia, the 10% direct share of PNOC-RC, and indirect share of Kyuden and EEIPC ( 32.50% of the 65% of PGEC) in MGI as of March 31, 2023;
- 14% (25% of 56% share of PGEC) total indirect share of Kyuden in PSC as of March 31, 2024; 44% direct share of EEIPC, indirect share of Kyuden and EEIPC (32.50% of 56% share of PGEC) in PSC as of March 31, 2023;
- 40% direct share of BCPG in PWEI as of March 2024.

Non-controlling interest decreased by 6.60%, from ₱5.324 billion to ₱4.973 billion, as a result of PERC's acquisition of EEIPC's equity interests PGEC, PWEI and PSC in 2023.

**Key performance indicators**

– refer to the Schedule of Financial Soundness Indicators

**Material Commitments**

Aside from the committed developments of the prospective projects, there are no other foreseen material commitments during the period.

**Productivity Program**

The development of the prospective renewable energy projects will increase the Group's capacity and power generation, while the prospective four-well drilling program in Gabon Etame, aimed to sustain field production to above 20,000 BOPD.

**Receivable Management**

The group's receivables are mainly due from sale of electricity to AC Energy and Transco and crude oil in Etame Gabon, through the consortium operator. These are being recorded once sale is made. Payment is received every 30-45 days following each sale.

For electricity sales of TSPP-1 and NWPP-1, the payment for the Actual FIT Revenue is sourced from the FIT-All Fund, specifically the Actual FIT Differential (FD) and the Actual Cost Recovery Revenue (ACRR). The FD is the difference between the Actual FIT Revenue and the ACRR and is collected from on-grid consumers as a uniform charge and applied to all billed kilowatt-hours. For FIT-Eligible RE Plants connected to the Wholesale Electricity Spot Market ("WESM"), the ACRR refers to the WESM proceeds remitted to the FIT-All Fund by the Independent Electricity Market Operator of the Philippines, Inc. ("IEMOP"), which took over the Philippine Electricity Market Corporation ("PEMC") as operator of the electricity spot market. PWEI and PSC regularly receive the both the ACRR and FD components within forty five (45) days after billing date.

PWEI and PSC manage this risk through proper and meticulous allocation of funds, proper timing of expenditures, employment of cost-cutting measures, and sourcing short-term funding requirements from local banks and investment houses or from affiliated companies.

For the twenty-one (21) years since oil production inception, there was no event that the buyer failed to remit the proceeds of the sale. However, the group is willing to look for another buyer should there be some problem that may happen in the future.

**Liquidity Management**

Management of liquidity requires a flow and stock perspective. Constraint such as political environment, taxation, foreign exchange, interest rates and other environmental factors can impose significant restrictions on firms in management of their financial liquidity.

The Group considers the above factors and pays special attention to its cash flow management. The Company identifies all its cash requirements for a certain period and invests unrestricted funds to money market placements to maximize interest earnings.

The Group does not anticipate any cash flow or liquidity problems within the next twelve (12) months. The Group is not in default of any, note, loan, lease, or other indebtedness or financing arrangement requiring it to make payments.

**Inventory Management**

The only inventory is the crude oil produced in Gabon. The buyer lifts certain volume and pays the same in 30 days. The operator sees to it that crude oil inventory does not reach 800,000 barrels at any one time

to avoid overflow and to generate revenues to cover production costs.

**Cost Reduction Efforts**

In order to reduce costs, the Group employs a total of one hundred thirty nine (139) employees with multi-task assignments. The group also implements request for quotations to compare prices, quality of the products and services and negotiate the payment terms.

The Company’s general and administrative expense is equivalent to 8.90% of the total revenue.

**Rate of Return of Each Stockholder**

The Company has no existing dividend policy. However, the Company intends to declare dividends in the future in accordance with the Corporation Code of the Philippines. Dividend declared for three (3) most recent years follows:

| Date of Declaration | Dividends per Share |       | Record Date     | Payment Date       |
|---------------------|---------------------|-------|-----------------|--------------------|
|                     | Cash                | Stock |                 |                    |
| July 04, 2013       | 5%                  |       | July 25, 2013   | August 20, 2013    |
| July 26, 2018       | 5%                  |       | August 24, 2018 | September 20, 2018 |
| July 28, 2022       | 5%                  |       | August 15, 2022 | September 8, 2022  |

**Financial Disclosures in view of the current global financial condition:**

The Group Assess the financial risks exposures of the Company and its subsidiaries particularly on currency, interest credit, and market and liquidity risks. If any change thereof would materially affect the financial condition and results of operation of the Company, provide a discussion in the report on quantitative impact or such risks and include a description of enhancement in the company’s risk management policies to address the same:

The Group’s principal financial instruments include cash and cash equivalents, trading and investment securities (financial assets at FVPL) and receivables. The main purpose of these financial instruments is to fund the Company’s working capital requirements.

Financial Risk Management Objectives and Policies.

Please refer to Note 24.

## **Operations Review and Business Outlook**

### **A. OIL EXPLORATION**

#### **Foreign Operations**

##### **Gabon, West Africa**

The daily oil production of the four oil fields (Ebouri, Etame, North Tchibala and Avouma) for the first quarter ranged from 14,098 to 16,914 barrels of oil per day (BOPD). Minor fluctuations in the daily production were due to maintenance works at Avouma, SEENT and Etame platform.

The total cargo lifted by the Consortium for the 1<sup>st</sup> Quarter of 2024 amounted to 1.3 million barrels of oil (MMBO). To date, the Etame Marin Field has already produced ~137.1 MMBO since inception in 2002.

#### **Philippine Operations**

##### **Service Contract 14C2 – West Linapacan, Northwest Palawan**

Following the release of DOE’s draft guidelines on the “Awarding of Petroleum Service Contracts for Development and Production”, SC 14C2 consortium is currently evaluating possible unitization with SC 6B and/or other surrounding service contracts.

##### **Service Contract 75 – Offshore Northwest Palawan**

SC 75 consortium is waiting for official notice from DOE regarding resumption of operations. Upon lifting of force majeure, consortium will proceed with conduct of survey planning and acquisition of new seismic data.

#### **Summary of Petroleum Properties:**

| Contract No.                                 | Contract Expiry | Participating Interest % | Location          |
|--|-----------------|--------------------------|-------------------|
| Foreign Contract                             |                 |                          |                   |
| Production Sharing Contract (PSC) 93 – Gabon | 2028            | 2.525%                   | Gabon Offshore    |
| Philippine Service Contracts (SC)            |                 |                          |                   |
| SC 14C2 – West Linapacan, Northwest Palawan  | 2025            | 4.137%                   | Northwest Palawan |
| SC 75 – Offshore Northwest Palawan           | 2025            | 15.000%                  | Northwest Palawan |

The Company derives its petroleum revenues from its Gabon Operations. All contractual obligations with the Gabonese Government are complied with. One of the Company’s petroleum Service Contracts in the Philippines (SC 75) is in exploration stage, and one (SC 14C2) contract is being farmed out to reduce risk inherent to the business.

## **B. RENEWABLE ENERGY PROJECTS**

### **Maibarara Geothermal Power Project**

The 20-MW Maibarara-1 (MGPP-1) and 12-MW Maibarara-2 (MGPP-2) Geothermal Power Plants are on continuous operations. From January 1 to March 31, 2024, the combined net exported output was 61,359.26 MWh (38,453.69 MWh from MGPP-1 and 22,905.57 MWh from MGPP-2).

### **Nabas Wind Power Project**

The 36-MW Nabas-1 Wind Power Plant (NWPP-1) of PetroWind Energy, Inc. (PWEI) has been operating normally, and for the period of January 1 – March 31, 2024, the total net energy exported to the grid reached 37,052.75 MWh.

For the 13.2-MW Nabas-2 Wind Power Project (NWPP-2), all Main Balance-of-Plant (BOP) works within the Municipality of Nabas were completed by March 31, 2024. Moreover, three out of six wind turbines have been fully erected and are expected to begin exporting power to the grid by 1<sup>st</sup> week of April 2024. Planning and engineering design for the three remaining turbines are targeted to commence within the year.

On January 18, 2023, PWEI filed an Application for Authority to Develop, Own and/or Operate the Dedicated Point-to Point Transmission Facilities to Connect the NWPP-2 to the NGCP's Transmission Line. PWEI is still awaiting the ERC's approval of the said application.

### **Tarlac Solar Power Project**

The 50-MW<sub>DC</sub> Tarlac-1 (TSPP-1) and 20-MW<sub>DC</sub> Tarlac-2 (TSPP-2) Solar Power Plants are on continuous operations. The combined net exported output for the 1st quarter of 2024 was 27,420.87 MWh ( 19, 487.79 MWh from TSPP-1 and 7,933.09 MWh from TSPP-2).

### **San Vicente Wind Power Project**

PGEC has concluded its two-year wind measurement campaign and is currently in dialogue with third-party service providers regarding the conduct of Energy Yield Assessment and Pre-Engineering Services. Meanwhile, the Distribution Impact Study (DIS) has been submitted to PALECO and is currently undergoing technical evaluation.

As for offtake, PGEC is exploring multiple agreement options. One of these is joining the planned Competitive Selection Process (CSP) to be facilitated by the National Electrification Administration (NEA) later this year. While waiting for the bidding guidelines, PGEC is working on the project costs in order to estimate the most likely CSP bid price.

### **Bugallon Solar Power Project**

Site development works (fencing, land grading/levelling and tree cutting) have commenced and targeted to be completed by June 2024. Target commercial operations date is Q4 2025.

On February 26, 2024, the Central Pangasinan Electric Cooperative (CENPELCO) approved the project's Distribution Asset Study. A connection agreement with CENPELCO is currently being drafted and targeted to be submitted by end of April 2024.

Application for assignment/transfer of the service contract covering the Bugallon Solar Power Project from PGEC to Bugallon Green Energy Corporation was re-submitted on February 26, 2024 and expected to be approved by DOE in April 2024.

### **Dagohoy Solar Power Project**

Following the completion of all site development works (fencing, land grading/ leveling and construction of water canals), the solar farm and connection EPCs have mobilized onsite and commenced pre-construction activities. Target commercial operations date is Q4 2024.

On February 28, 2024, the DOE approved the assignment/transfer of the service contract covering Dagohoy Solar Power Project from PGEC to Dagohoy Green Energy Corporation (DGEC).

### **Limbauan Solar Power Project**

On February 20, 2024, BKS Green Energy Corp., a subsidiary of PGEC, submitted application for System Impact Study to NGCP through their online system and is currently awaiting approval.

Meanwhile, selection of EPCs for site development, solar farm and connection facilities is ongoing. Target selection of final contractors is before end of Q2 2024.

### **San Jose Solar Power Project**

Following the completion of all site development works, the solar farm and grid connection EPCs have mobilized onsite and commenced pre-construction activities. Target commercial operations date of initial phase equivalent to ~10MW is Q4 2024.

Application for assignment/transfer of the service contract covering the San Jose Solar Power Project from PGEC to San Jose Green Energy Corporation was re-submitted on February 26, 2024 and expected to be approved by DOE in April 2024.

### **Offshore Wind Power Projects**

On February 21, DOE have the approved the assignment/transfer of the service contract covering the Northern Luzon Offshore Wind Power Project from PGEC to BuhaWind Energy Northern Luzon Corporation (BENLC).

For this quarter, the offshore wind SPVs under joint venture of PGEC and Copenhagen Energy will continue to communicate with potential third-party service providers regarding conduct of the wind measurement campaign, environmental permitting and social acceptability surveys.

### **Plan of Operations for the next 12 months**

#### **Gabon, West Africa**

Crude oil production will continue from existing wells

#### **SC 14C2 - West Linapacan, Northwest Palawan**

Operator Philodrill will conduct further G&G activities to validate the feasibility of extracting the remaining recoverable volumes in West Linapacan.

SC 75 - Offshore Northwest Palawan

Exploration activities have been suspended due to the force majeure imposed by the Department of Energy. Remaining project commitments would be implemented upon the lifting of force majeure by the agency.

Maibarara Geothermal Power Project

Power generation from both Maibarara-1 and Maibarara-2 will continue.

Nabas Wind Power Project

Nabas 1 and Nabas 2 plant will be in continuous operation, while planning and updated engineering design of the remaining three WTGs for Nabas 2 will continue.

Tarlac Solar Power Project

TSPP-1 and TSPP-2 will continue to supply electricity to the grid.

Enrique T. Yuchengco Bldg. Rooftop Solar Power Project (ETY)

The ETY rooftop solar facility will continue to supply electricity to the ETY building.

San Vicente Wind Power Project

PGEC will continue with initial feasibility studies for the SVWHPP and other pertinent regulatory documents. Moreover, PGEC plans to participate in Competitive Selection Process (CSP) of NEA later this year.

Bugallon Solar Power Project

Site development works to be completed by June 2024 to be followed by construction of the solar farm and connection facilities.

Dagohoy Solar Power Project

Construction works for the solar farm and connection facilities to continue. Target commercial operations date is by end of Q4 2024.

Limbauan Solar Power Project (formerly San Pablo Power Project)

PGEC to award contract to EPC provider, and afterwards proceed to the conduct of early site development works.

San Jose Solar Power Project

Construction works for the solar farm and connection facilities to continue. Target commercial operations date for San Jose Solar Power Project (SJSPP) 1 and SJSPP 2 is December 2024 and December 2025, respectively.

Offshore Wind Power Projects

The SPVs under joint venture of PGEC and CE will continue with the pre-development Work Programs for the three (3) offshore wind blocks, namely 1) on-site wind measurement campaigns, 2) geophysical and geotechnical campaigns, 3) environmental permitting works, and 4) SIS applications for Northern Mindoro and East Panay blocks.

**PART II – Other Information**

The Company has no other information that need to be disclosed other than disclosures made under SEC Form 17-C (if any).



**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON**  
**REVISED SRC RULE 68**  
**MARCH 31, 2024**

Philippine Securities and Exchange Commission (SEC) issued the revised Securities Regulation Code Rule SRC Rule 68 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by Revised SRC Rule 68 that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

The Group is not required to disclose the financial assets in equity securities as the total financial assets at fair value through profit and loss securities amounting to ₱7.06 million do not constitute 5% or more of the total current assets of the Group as at December 31, 2023.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

As of March 31, 2024, there are no amounts receivable from directors, officers, employees, related parties and principal stockholders that aggregates each to more than ₱100,000 or 1% of total assets which-ever is less.

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

The following is the schedule of receivables from related parties, which are eliminated in the consolidated financial statements as at March 31, 2024:

| Name and Designation of debtor | Balance at beginning of period | Additions  | Amounts Collected | Amounts written off | Not Current | Balance at end of period |
|--------------------------------|--------------------------------|------------|-------------------|---------------------|-------------|--------------------------|
| PetroGreen Energy Corporation  | ₱19,227,974                    | ₱1,009,698 | ₱259,582          | ₱-                  | ₱-          | ₱ 19,978,090             |
| PetroWind Energy Inc.          | 776,140                        | 1,205,687  | 840,577           | -                   | -           | 1,141,250                |
| Maibarara Geothermal, Inc.     | 642,468                        | 678,493    | 605,844           | -                   | -           | 715,117                  |
| PetroSolar Corporation         | 375,196                        | 823,930    | 849,478           | -                   | -           | 349,648                  |
|                                | ₱21,021,778                    | ₱3,717,808 | ₱2,555,481        | ₱-                  | ₱-          | ₱22,184,105              |

Schedule D. Long-term Debt

Please refer to the Consolidated Audited Financial Statement, Note 20 for details of the loans.

Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

The Group has no outstanding long-term indebtedness to related parties as of March 31, 2024.

Schedule F. Guarantees of Securities of Other Issuers

The Group does not have guarantees of securities of other issuers as of March 31, 2024.

Schedule G. Capital Stock

| <u>Title of issue</u> | <u>Number of<br/>shares<br/>authorized</u> | <u>Number of<br/>shares issued<br/>and<br/>outstanding<br/>as shown<br/>under related<br/>balance sheet<br/>caption</u> | <u>Number of<br/>Shares<br/>reserved for<br/>options,<br/>warrants,<br/>conversion<br/>and other<br/>rights</u> | <u>Number of<br/>shares held<br/>by related<br/>parties</u> | <u>Directors,<br/>Officers and<br/>Employees</u> | <u>Others</u> |
|-----------------------|--|---|---|---|--|---------------|
| Common Shares         | 700,000,000                                | 568,711,842   | –   | 170,324,925   | 6,064,534  | 392,322,383   |

**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**AS OF MARCH 31, 2024, MARCH 31, 2023 and DECEMBER 31, 2023**

*Financial Soundness Indicators*

Below are the financial ratios that are relevant to the Group for the period ended March 31, 2023, March 31, 2022 and December 31, 2023:

| <b>Financial ratios</b>        | <b>Formula</b>   | <b>Unaudited<br/>31-Mar-2024</b> | <b>Unaudited<br/>31-Mar-2023</b> | <b>Audited<br/>31-Dec-2023</b> |
|--------------------------------|--|----------------------------------|----------------------------------|--------------------------------|
| Current ratio                  | $\frac{\text{Total current assets}}{\text{Total current liabilities}}$                         | <b>2.19:1</b>                    | 3.99:1                           | 1.25:1                         |
| Solvency ratio                 | $\frac{\text{After tax net profit + depreciation}}{\text{Long-term + short-term liabilities}}$ | <b>0.05:1</b>                    | 0.11:1                           | 0.17:1                         |
| Debt-to-Equity Ratio           | $\frac{\text{Total liabilities}}{\text{Total stockholder's equity}}$                           | <b>0.69:1</b>                    | 0.34:1                           | 0.73:1                         |
| Asset-to-Equity Ratio          | $\frac{\text{Total assets}}{\text{Total stockholder's equity}}$                                | <b>1.69:1</b>                    | 1.34:1                           | 1.73:1                         |
| Interest rate coverage ratios  | $\frac{\text{Earnings before interest and taxes (EBIT)}}{\text{Interest expense*}}$            | <b>3.65:1</b>                    | 6.17:1                           | 3.45:1                         |
| Return on revenue              | $\frac{\text{Net income}}{\text{Total revenue}}$   | <b>34.04%</b>                    | 55.91%                           | 31.03%                         |
| Earnings per share             | $\frac{\text{Net income}}{\text{Weighted average no. of shares}}$                              | <b>₱0.262</b>                    | ₱0.035                           | ₱0.9067                        |
| Price Earnings Ratio           | $\frac{\text{Closing price}}{\text{Earnings per share}}$                                       | <b>₱14.10</b>                    | ₱14.93                           | ₱5.46                          |
| Long term debt-to-equity ratio | $\frac{\text{Long term debt}}{\text{Equity}}$  | <b>0.50:1</b>                    | 0.23:1                           | 0.37:1                         |
| EBITDA to total interest paid  | $\frac{\text{EBITDA**}}{\text{Total interest paid}}$   | <b>5.60</b>                      | 8.38                             | 5.93                           |

\*Interest expense is capitalized as part of the construction-in-progress account under PPE.

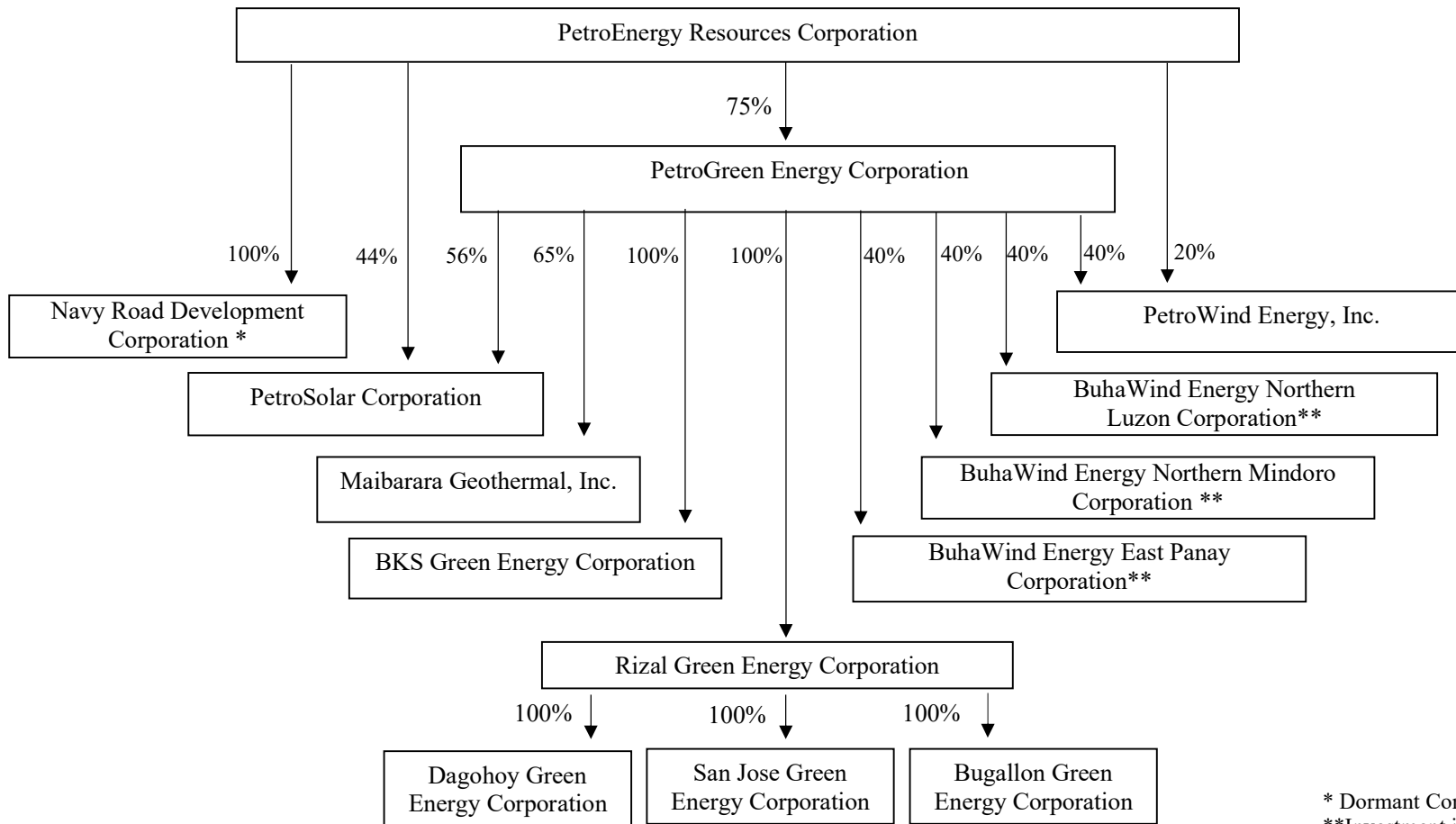
\*\*Earnings before interest, taxes, depreciation and amortization (EBITDA)

**PETROENERGY RESOURCES CORPORATION AND SUBSIDIARIES**  
**MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP**

*Group Structure*

Below is a map showing the relationship between and among the Group and its subsidiaries as of March 31, 2024:

**PETROENERGY RESOURCES CORPORATION  
 GROUP STRUCTURE**



\* Dormant Company  
 \*\*Investment in joint venture.

**PETROENERGY RESOURCES CORPORATION (PARENT COMPANY)**  
**SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR**  
**DIVIDEND DECLARATION**  
**MARCH 31, 2024**

|   |               |
|---|---------------|
| <b>Unappropriated Retained Earnings (Deficit), beginning of the reporting period</b> (see Footnote 2)   | ₱ 182,647,943 |
| <br>  |               |
| <b>Add: <u>Category A:</u> Items that are directly credited to Unappropriated Retained Earnings</b>   |               |
| Reversal of Retained Earnings appropriation   |               |
| Effect of reinstatements or prior-period adjustments  |               |
| Others  | —             |
|   | —             |
| <br>  |               |
| <b>Less: <u>Category B:</u> Items that are directly debited to Unappropriated Retained Earnings</b>   |               |
| Dividend declaration during the reporting period  | —             |
| Retained Earnings appropriated during the reporting period  | —             |
| Effect of reinstatements or prior-period adjustments  | —             |
| Others  | —             |
|   | —             |
| <br>  |               |
| <b>Unappropriated Retained Earnings (Deficit), as adjusted</b>  | 182,647,943   |
| <b>Add/Less: Net income (loss) for the current year</b>   | 40,848,445    |
| <br>  |               |
| <b>Less: <u>Category C.1</u> Unrealized income recognized in the profit or loss during the reporting period (net of tax)</b>  |               |
| Equity in net income of associate / joint venture, net of dividends declared  | 91,283,052    |
| Unrealized foreign exchange gain, except those attributable to cash and cash equivalents  | —             |
| Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPTL)   | —             |
| Unrealized fair value gain of Investment Property   | —             |
| Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS   | —             |
| Subtotal  | 91,283,052    |
| <br>  |               |
| <b>Add: <u>Category C.2</u> Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)</b> |               |
| Realized foreign exchange gain, except those attributable to cash and cash equivalents  | 483,344       |
| Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPTL)   | —             |
| Realized fair value gain of Investment Property   | —             |
| Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS   | —             |
| Subtotal  | 483,344       |

*Forward*

**Add: Category C.3 Unrealized income recognized in the profit or loss in prior reporting periods but reversed in the current reporting period (net of tax)**

|  |   |  |
|--|---|--|
| Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents                                      | — |  |
| Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPTL) | — |  |
| Reversal of previously recorded fair value gain of Investment Property   | — |  |
| Reversal of other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS              | — |  |
| Subtotal   |   |  |

**Adjusted Net Income / Loss** 132,696,680

**Add: Category D: Non actual losses recognized in profit or loss during the reporting period (net of tax)**

|   |   |   |
|---|---|---|
| Depreciation on revaluation increment (after tax) | — | — |
| Subtotal  |   |   |

**Add/Less: Category E: Adjustments related to the relief granted by SEC and BSP (see Footnote 3)**

|  |   |   |
|--|---|---|
| Amortization of the effect of reporting relief           | — |   |
| Total amount of reporting relief granted during the year | — |   |
| Others   | — | — |
| Subtotal   |   |   |

**Add/Less: Category F: Other items that should be excluded from the determination of the amount available for dividends distribution**

|   |           |   |
|---|-----------|---|
| Net movement of the treasury shares (except for reacquisition of redeemable shares)   | —         |   |
| Net movement of the deferred tax asset not considered in reconciling items under previous categories  | 3,842,315 |   |
| Net movement of the deferred tax asset and deferred tax liabilities related to same transaction, e.g. set-up of right of use asset and lease liability, set-up of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable |           |   |
| Adjustment due to deviation from PFRS/GAAP - gain (loss)  | —         |   |
| Others  | —         |   |
| Subtotal  |           | — |

**Total Retained Earnings, end of the reporting period available for dividend** 132,696,680

**FOOTNOTES:**

- (1) The amount of retained earnings of the company should be based on its separate (“stand alone”) audited financial statements.
- (2) Unappropriated Retained Earnings, beginning of the reporting period refers to the ending balance as reported in the “Reconciliation of Retained Earnings Available for Dividend Declaration” of the immediately preceding period.
- (3) Adjustments related to the relief provided by SEC and BSP pertain to accounting relief (e.g losses that are reported on a staggered basis) granted by regulators. However, these are actual losses sustained by the company and must be adjusted in the reconciliation to reflect the actual distributable amount.
- (4) This Reconciliation of Retained Earnings Available for Dividend Declaration is pursuant to Sec.42 of the Revised Corporate Code, which prohibits stock corporations to retain surplus profits in excess of one hundred (100%) percent of their paid-in capital and their power to declare dividends. However, this Reconciliation of Retained Earnings should not be used by the REIT Act and its Implementing Rules and Regulations.

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on behalf of the undersigned thereunto duly authorized.

Registrant : **PETROENERGY RESOURCES CORPORATION**

Signature and Title :  Milagros V. Reyes - President

Signature and Title :  Maria Cecilia L. Diaz De Rivera – Chief Finance Officer 

Date : May 15, 2024